

Gustav Pétursson

The Defence Relationship of Iceland and the United States and the Closure of Keflavík base



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and the Closure of Keflavík base**

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**This PhD dissertation is dedicated to the memory of
Alyson J.K. Bailes 1949-2016 and
Michael T. Corgan 1941-2018.
Inspirational mentors who made the world a better place.**

Abstract

A small state with no armed forces of its own Iceland formed a close defence relationship with the United States after gaining full independence from Denmark in 1944. In 1951 the two states signed a bilateral defence agreement allowing for a U.S. military base in Iceland. Following failed burden sharing negotiations in 2005/2006 between the two governments the U.S. government unilaterally closed down Keflavík base and handed all defence functions over to the Icelandic government. This dissertation analysis through process tracing and the use of primary source material the defence functions of the U.S. military at Keflavík base, the failed 2005/2006 burden sharing negotiations and how from 2006 until 2013 consecutive Icelandic governments adapted to the closure of Keflavík base. While this study is anchored within the theoretical schools of Neorealism and Institutionalism its conclusions are that to gain a holistic understanding of the decision making process during the burden sharing negotiations and the aftermath of the closure of Keflavík base it is important to look beyond the state centric approaches of Neorealism and Institutionalism and factor in alternative theories on the motives of individual actors involved in the decision making process.

Tiivistelmä

Islanti, pieni valtio ilman omia asevoimia, loi läheisen puolustussuhteen Yhdysvaltain kanssa vuonna 1944 saavutettuaan täydellisen itsenäisyyden Tanskasta. Vuonna 1951 maat allekirjoittivat kahdenvälisen puolustus sopimuksen, joka salli Yhdysvaltain perustaa sotilastukikohta(i)a Islantiin. Kustannustenjakoa koskevien epäonnistuneiden neuvottelujen (vuosina 2005-2006) seurauksena Yhdysvaltain hallitus sulki Keflavikin sotilastukikohtansa yksipuolisella päätöksellään ja luovutti kaikki puolustustoiminnot Islannin hallitukselle. Primaariaineistoon pohjautuen tämä väitöskirjatutkimus jäljittää ja analysoi Keflavikin tukikohdan puolustustoimintoja, em. epäonnistuneiden neuvottelujen kulun, ja miten Islannin hallitus mukautui Keflavikin tukikohdan sulkemiseen. Vaikka tutkimus ankkuroituu Neorealismiin ja Institutionalismiin koulukuntiin sen keskeinen johtopäätös on, että kokonaisvaltaisen ymmärryksen saavuttamiseksi tämänkaltaisessa kustannustenjakoa koskevassa päätöksentekoprosessissa on tärkeitä katsoa Neorealismiin ja Institutionalismiin valtiokeskeisen näkökulman yli sekä ottaa huomioon vaihtoehtoisten teorioiden näkökulma yksilötoimijoiden motiivien merkityksestä päätöksenteossa.

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Doing PhD research is a journey with unforeseen twists and turns. This journey began as an idea during a cold February morning in 2009. At the time I was a fresh-faced graduate halfway through an unpaid three-month internship at the Icelandic Defence Agency. Through my daily work and casual coffee talk with my fellow co-workers I came to realise that the closure of Keflavík base three years earlier and the nature of the defence tasks handed over to Icelandic authorities presented a fertile ground for a PhD dissertation.

The completion of this dissertation would never have been possible without the support and encouragement of a large group of people. Chief among them are my PhD supervisors, Dr. Lassi Heininen and Dr. Michael T. Corgan. I would like to express my gratitude and thanks to the Icelandic Ministry for Foreign Affairs and the Icelandic Coast Guard for responding favourably to my research inquiries and for assisting me sourcing relevant documents within their archives. In particular Jónas G. Allansson at the Ministry for Foreign Affairs and Jón B. Guðnason at the Coast Guard. I also thank Guðmundur I. Guðmundsson for granting me access to the private papers of his father, Foreign Minister Guðmundur Í. Guðmundsson, and all those interviewed during this research project. A number of people read various chapters of the manuscript during its stages of development and offered their advice and recommendations. I express my gratitude to Arnór Sigurjónsson, Gregory Winger, Jon Terje Eide, Jón B. Guðnason and Alyson J.K. Bailes. Of course, the responsibility for the content of these pages is mine.

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List of abbreviations

CAOCS	Combined Air Operations Centres
CRC	Command and Reporting Centre
EEZ	Economic Exclusion Zone
EU	European Union
EUCOM	United States European Command
IADS	Iceland Air Defence System
ÍAV	Iceland Prime Contractors
ICAO	International Civil Aviation Organization
ICGV	Icelandic Coast Guard vessels
ICJ	International Court of Justice
ISSF	Iceland Software Support Facility
LORAN	Long-Range Navigation
MADIZ	Military Air Identification Zone
MBFR	Mutual and Balanced Force Reductions
MoU	Memorandum of Understanding
NAC	North Atlantic Council
NATINADS	NATO Integrated Air Defence System
NATO	North Atlantic Treaty Organization
NATO-SOFA	Agreement between the Parties to the North Atlantic Treaty regarding the Status of their Forces
NORAD	North American Aerospace Defense Command
NSIP	NATO Security Investment Programme
RASP	Recognised Air and Sea Picture
ROE	Rules of Engagement
SACEUR	Supreme Allied Commander Europe
SACLANT	Supreme Allied Commander Atlantic
SHAPE	Supreme Headquarters Allied Powers Europe
TADIL	Tactical Digital Information Links
UNCLOS	United Nations Convention on the Law of the Sea

1. Introduction

In the autumn of 2006, the United States closed down its military base in Keflavík Iceland and handed over all defence related responsibilities to the Icelandic authorities. From 1951 the U.S. operated the base on the basis of a bilateral defence agreement with the government of Iceland whereby the U.S. provided Iceland with military defence on the basis of both states being members of NATO. The purpose of this research is to analyse through the use of process tracing, anchored within the theoretical schools of Neorealism and Institutionalism, the nature of the defence relationship between Iceland and the United States, why the base was closed down and how successive Icelandic governments adapted to the closure of the base up until national elections in 2013.

To that end, I ask three research questions:

1. What benefits and international leverage did Iceland gain through its defence relationship with the U.S. historically?
2. What goals did U.S. and Icelandic policymakers have in the 2005/2006 base negotiations and why was Keflavík base closed down?
3. How did Icelandic decision makers adapt to the closure of the base in the years that followed until national elections in spring 2013?

Scholarly work on Iceland's defence relationship with the United States is few and far between with most of the literature concentrated in the field of history. The earliest post-war account is Donald E. Nuechterlein's *Iceland reluctant ally* (Nuechterlein, 1961), a study into the U.S.- Icelandic defence relationship from 1940 until a move by the left of centre government in 1956 to terminate the 1951 Defence Agreement. In 1971, Benedikt Gröndal published *Iceland from Neutrality to NATO Membership* (Gröndal, 1971) an historical account of the events preceding Iceland's membership of NATO in 1949 and the strategic importance Iceland played during the Cold War. In 1990, Albert Jónsson wrote *Ísland, Atlantshafsbandalagið og Keflavíkurstöðin* (Jónsson, 1990) authored by the Commission on Security and Defence and International Affairs of the Icelandic Parliament. Jónsson provided a detailed account of Keflavík base, its function and what role it played within NATO's system of collective defence during peace and war.

Compared to earlier decades the 1990s and early 2000s saw a wealth of research into Iceland's defence relationship with the United States. In 1996, the historian Valur Ingimundarson published *Í Eldlínu Kalda Stríðsins, Samskipti Íslands og*

Bandaríkjanna 1945-1960 (Ingimundarson, 1996). In his work Ingimundarson focused on the Icelandic-U.S. defence relationship during the time period of 1945-1960 and its interdependence with Icelandic domestic politics and Icelandic foreign policy goals, such as the extension of Iceland's fisheries limit. In 2001, *Ingimundarson* followed with *Uppgjör við Umheiminn, Íslensk Þjóðernishyggja, Vestrænt Samstarf og Landhelgisdeilan* (Ingimundarson, 2001). In this work, Ingimundarson, turned his attention to the U.S.-Icelandic defence relationship during the time period of 1960-1974. As in his earlier work, Ingimundarson meticulous research revealed the interplay between defence, domestic politics and the strenuous interactions Iceland had with the United States and other allies in NATO over Iceland's extension of its Economic Exclusion Zone (EEZ). In 2002, another important scholarly work was published on Icelandic-U.S. defence relations. Its author, Professor Michael Corgan, served as the political adviser to the Keflavík base commander during the late 1970s and the early 1980s and his work *Iceland and its Alliances, Security for a Small State* (Corgan, 2002) focused on Icelandic security policy 1979-1986, drawing attention, among other things, to the role of language in shaping defence and security discourse and dialogue in Iceland.

The Icelandic-British Cod Wars of the 1950s and the 1970s have been extensively studied. Most prolific of those writers is Guðni Th. Jóhannesson who has published numerous scholarly works on the topic. In 2003 Jóhannesson published *Troubled waters. Cod war, fishing disputes, and Britain's fight for the freedom of the high seas, 1948-1964* (Jóhannesson, 2003) a study of the first Cod War, its origin and conclusion. In 2005, Jóhannesson followed with *Sympathy and self-interest, Norway and the Anglo-Icelandic Cod Wars* (Jóhannesson, 2005). In this study the author shone light on the role Norway played in attempting to mediate the Cod War disputes between Iceland and Britain, in an attempt to limit their damage to NATO. Another prominent Cod War scholar is Guðmundur J. Guðmundsson who has published extensively (Guðmundsson, 1999, 2006, 2007) on the interplay between Iceland's defence policy and its use by Icelandic decision makers to reach a favourable outcome in its dispute with Britain over fishing rights in the North Atlantic.

Following the closure of Keflavík base and the departure of U.S. forces from Iceland two scholarly works followed surveying the event. *Óvent áfall eða fyrirsjáanleg tímamót* by Gunnar Þór Bjarnason (Bjarnason, 2008) reviewed the events leading up to its closure and its immediate impact on Icelandic decision makers. That same year, Valur Ingimundarson published *Frá óvissu til upplausnar: "Öryggissamfélag" Íslands og Bandaríkjanna* (Ingimundarson, 2008) an account of Icelandic government defence policy vis-à-vis the United States and Keflavík base from the 1990s until the base closure in 2006. In addition to building on some of these earlier works, this research uses secondary as well as primary research material to re-evaluate the importance of the U.S. defence relationship for Icelandic economic development in the first decades after the end of Second World War, and the role the relationship

played for Iceland to successfully extend its EEZ in the late 1950s and throughout the 1970s.

Moving beyond those historical episodes, this research offers insights, through published and unpublished government reports and interviews with government officials the implementation of the day to day defence relationship between Iceland and the U.S. prior to the 2006 Keflavík base closure, such as sharing of responsibility of defence related tasks at the base. Based on primary source material that includes government minutes and interviews with those involved in the negotiation process, this research then moves on to analyse the 2005/2006 base negotiation that resulted in the abrupt closure of Keflavík base and removal of all U.S. military personnel from Iceland. The final part of this study is then devoted to how consecutive Icelandic governments until 2013 responded to the closure of Keflavík base and how they tried to adapt for the loss of U.S. military forces from Iceland.

This research has considerable value within the field of political science, and in particular the subfields of political history and international relations. First of all, it examines the dynamics of a defence relationship between two states that are on the extremes in the international system when it comes to size and power. Iceland, a small state that gained its independence in 1944 and the United States which has held the status of a superpower since the end of the Second World War. Secondly, this study offers valuable insight into how the United States integrated its defence structures with a small state with no defence structure of its own. And thirdly, this study assesses the negotiation process that led to the closure of Keflavík base despite the fact that neither negotiating side was actively working towards its closure and how the shock of the base closure influenced the decision making of consecutive Icelandic governments until spring 2013.

2. Methodology and theory

2.1. Research methods

For analysing the defence relationship of Iceland and the United States and the closure of Keflavík base and its aftermath the most fitting research method is that of an explanatory case study. No single definition exists but there are some shared assumptions to be found among scholars engaged with the topic. Jack S. Levy notes that “Most of us think of a case study as an attempt to understand and interpret a spatially and temporally bounded sets of events” (Levy, 2008, p. 2). While Bruce L. Berg defines a case study as “... a method involving systematically gathering enough information about a particular person, social setting, event or group to permit the researcher to effectively understand how the subject operates or functions” (Berg, 2009, p. 317).

For Robert K. Yin, a case study is a two-step procedure. Within the first step a case study is defined as “...an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin, 2009, p. 18). This first step definition, according to Yin, helps us to differentiate between case study methods and other research methods, be they qualitative ones, such as ethnography, or research done within a controlled environment. The second step incorporates data collection and data analysis strategies into the definition:

The case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result benefits from the prior development of theoretical propositions to guide data collection and analysis (Yin, 2009, p. 18).

Therefore, the case study method gives the researcher the ability to increase the level of conceptual validity as well as aid the construction of hypothesis through the exploration of causal mechanisms and complex causal relations (George & Bennett, 2005, pp. 19-22).

On this view, the case study research method is not simply a data collection approach or even an explicit method of data analysis but a comprehensive technique that also embraces the research design itself and its logic. The value of such a design is that through a case study method the researcher can reveal the interactions of important dynamics and characteristic of a specific phenomenon; as well as enabling

the researcher to observe some possible hidden elements and other nuances that other research methods might overlook (Berg, 2009, p. 318).

Data and data collection is an important element in every research and in this study I rely on previous publications, newspaper articles, government reports, records of the Icelandic Parliament, political party manifestos; archived material in archives both in Iceland and abroad as well as semi-structured interviews with individuals close to the decision making process in government and public administration. All interviews were recorded and transcribed. In this research the rule of anonymity is respected and interviewees are not referred to by name but position only as it relates to their role in the events under discussion. When I began planning for this research I decided to adhere to the rule of anonymity in the belief that interviewees would feel less restrained and more at ease knowing they would be quoted according to position rather than name.

The chapters in this dissertation rely on different sources of data collection. Chapter three offers a historiographical account of Iceland's defence relationship with the U.S. and as such relies more on existing literature than later chapters. However, important primary sources are also used. Foremost of those are; archived documents of the Security Collection (Öryggismálasafn) at the Icelandic National Archives; British government documents relating to the Cod Wars, stored at the British National Archives in Kew; U.S. embassy cables from the time period 1971-1973 stored at the U.S. National Archives in Washington D.C accessible through online archival databases (AAD); private papers of NATO Secretary General Joseph Luns stored at the NATO archives in Brussels also available at NATO archives online; private papers of Foreign Minister Guðmundur Í. Guðmundsson in the possession of his son Guðmundur I. Guðmundsson; and the private papers of former Foreign Minister Bjarni Benediktsson stored at Reykjavík City Archives. The private papers of Guðmundsson have been sourced in previous academic works (Jóhannesson, 2004 and Ólafsson, 1999). I would like to extend my sincerest thanks to Guðmundur I. Guðmundsson to grant me access to his father's personal papers and be allowed to source them for this dissertation.

Chapter four, five and six, rely to a large extent on primary sources such as internal Icelandic government documents of the archives of the Ministry for Foreign Affairs and the archives of the Coast Guard which inherited the archives of the Radar Agency and the Defence Agency when the Defence Agency was shut down and most of its tasks moved to the Coast Guard. Other sources include primary sources from the online archives of former Secretary of Defence Donald Rumsfeld, interviews with relevant actors directly involved in the Icelandic/U.S. defence negotiation, decision making on the Icelandic side and implementation of the defence tasks at Keflavík base.

Most of those archives I visited in person to gather data. Reykjavík City Archives, Icelandic National Archives and the British National Archives in Kew I visited in

the winter of 2011/2012. The archives of the Ministry for Foreign Affairs and the Coast Guard I visited in the autumn of 2015. Although the internal documents sourced have not been published both the Ministry for Foreign Affairs and the Coast Guard were gracious enough to grant me access after I had presented my letter of introduction presenting myself and my research. Special thanks to Jónas G. Allansson, at the time Director of the Office of Defence at the Ministry for Foreign Affairs and Jón B. Guðnason Chief of Aeronautical Division at the Coast Guard. Eternal gratitude to both men for their help and assistance in sourcing relevant material used in this dissertation.

2.2. Validity and reliability

A valid case study according to Robert K. Yin “...is one that has properly collected and interpreted its data, so that the conclusions accurately reflect and represent the real world that was studied” (Yin, 2009, p. 40). Therefore, the quality of validity cannot be underestimated as it is the benchmark for good research. The validity tests commonly applied to research projects to assess their quality are threefold: (1) construct validity; (2) internal validity; and (3) external validity. External validity relates to how applicable research findings are generalised to a general population. As a case study of the defence relationship between the United States Iceland this research does not claim generalizable findings applicable to defence relationships between other states. However, elements influencing the defence relationship, the negotiation process that led to the closure of Keflavík base and how the government of Iceland attempted to compensate to the departure of U.S. military force from Iceland provides insights and lessons learned that can be applicable to similar relationships.

In scientific studies the function of construct validity is the assessment of how accurately the dependent and independent variables of the research hypothesis measure or reflect what they are supposed to measure (Hoyle, Harris, & Judd, 2002, pp. 33-35). The believe that a construct is actually measuring what it is supposed to measure is strengthened if a causal relationship is established between an independent variable and a dependent variable through two or more data points. Construct validity is thus increased by using multiple sources of evidence and by measuring each construct in more than one way (Yin, 2009, pp. 41-42). This is often referred to as triangulation which is the process of balancing various evidentiary sources obtained through a combination of methods. The logic is that similar or same results obtained through different techniques validate and confirm the research findings (Berg, 2009, pp. 6-7).

Of course, there are various strengths and weaknesses associated with sourcing different material. By relying heavily on secondary sources, I risk accepting other

researchers' interpretation of events instead of reviewing the primary material and drawing my own conclusions. However, archival material may be fragmented or incomplete giving a partial or one-sided account of events. Equally, interviews may not be so reliable. Even though interviews are recorded and transcribed the interviewee may not necessarily give an accurate account of the topic under discussion. People's memory can be faulty, it is possibly not in their best interest to be truthful or interviewees can be tempted to embellish or exaggerate their own role.

To minimise such biases I have strived to strengthen the construct validity of my research by establishing causal links between my research questions and policy actions through two or more separate sources of data. Such as by interviewing people close to decision making and by sourcing relevant government policy documents. A second approach to increase construct validity involves establishing a chain of evidence throughout the research. That in essence means building a visible bridge between my research questions, data collection and data analysis. In short:

The principle is to allow an external observer to – in this situation the reader of the case study – to follow the derivation of any evidence from initial research questions to ultimate case study conclusions (Yin, 2009, p. 122).

In practical terms it means that every piece of data I source, whether documents, archived material, interviews etc. must be stored and cited in such a way that an observer can follow the steps I have taken throughout the research.

Lastly, internal validity of a research project "...concerns the extent to which conclusions can be drawn about the causal effects of one variable on another" (Hoyle et al., 2002, p. 32). That is to say, how secure am I in claiming that y was in fact caused by x but not by z or some other variable. Through this study I apply the research method of process tracing. Process tracing is a valuable tool in dissecting chain of events and strengthening internal validity as:

The process tracing method attempts to identify the intervening causal processes – the causal chain and causal mechanism – between an independent variable (or variables) and the outcome of the dependent variable (George & Bennett, 2005, p. 206).

Thus, by scrutinizing each step along the causal pathway, the researcher is able to assess whether there are any other possible causes for a particular outcome other than those that the research hypothesis assumes to be correct.

Andrew Bennett and Colin Elman (Bennett & Elman, 2006, pp. 459-460), list a number of criteria's that should be present within a case study analysis for a persuasive application of a process tracing method: (1) process tracing analysis should have a convincing beginning when analysing a historical episode or a social phenomenon. (2) A process tracing account should run continuously with no or as few breaks as

possible in the narrative. The reason for this is simple, a missing link in the chain of causal processes could mean that an important piece of the puzzle is being left out. (3) Within every process tracing analysis, there is evidence that is consistent with a number of explanations as well as some evidence that will support one explanation. Subsequently, a process tracing analysis will be strengthened if evidence is provided for a specific link within the hypothesized chain of events that cannot be substituted by any other explanation. (4) Our belief that the hypothesised explanation is correct, will be improved, if by process tracing we find tangible evidence through data collection that plausible alternative explanations cannot explain specific events or decisions. This is especially useful in eliminating rival alternative explanations. Lastly, but relating to all of the aforementioned steps (5) process tracing analysis becomes more convincing if the issue of confirmation bias is addressed head on by the researcher. That is to account for other possible and plausible explanations for a chain of events, or in the words of Elman and Bennett (Elman & Bennett, p. 460) “...to give these explanations a “fair shake” vis-à-vis the evidence, and to develop sufficiently diverse, detailed, and probative evidence to elevate one explanation over all others.”

While the focus of this dissertation is the 2005/2006 U.S.-Icelandic defence negotiations and the adaptation of the government of Iceland to the closure of Keflavík base, the present is always shaped by past events. Consequently, chapter three gives a historiographical account of pivotal historical episodes in Iceland’s relationship with the United States and NATO to tweeze out the main characteristics that have shaped that relationship. In chapter four the method of process tracing is used to analyse the defence function of Keflavík base, what did those functions consist of and how were they carried out prior to the closure of Keflavík base in 2006. In chapter five process tracing is used to analyse the impact of the defence relationship with the U.S. on domestic politics in Iceland, the formation of an Icelandic base policy in the 1990s and U.S. policy towards Keflavík base before moving on to the 2005/2006 base negotiation. Chapter six process traces the assumption of defence tasks by the government of Iceland previously the responsibility of the U.S. defence force and how successive Icelandic governments adapted to the closure of the base during the time period 2006-2013. Chapter seven draws together the results of this dissertation in a conclusion chapter.

This study is anchored within the schools of Neorealism and Institutionalism. Both schools share the assumption that states are rational unified actors whose behaviour is regulated (Monroe & Maher, 1995, p. 2) by specific goals that reflect perceived self-interests. As this is a study of a defence relationship between two sovereign states bilaterally and through NATO those two schools of thought provide appropriate perspective of analysis.

Both schools assume that preferences of state actors are considered to be stable and consistent with highest expected utility chosen. Actors are considered to

be informed on the outcome of all alternatives and fully aware of the most likely outcome of their choice. However, the assumption that a state actor is able to view all possible alternatives and weigh every possible outcome against a function of utility does overlook some fundamental issues (Simon, 1995, pp. 46-47). In reality actors are not omnipotent entities and the possibility remains that a quicker more efficient way to attain a specific goal exists while a wrong action may be taken on the basis of incomplete information about a given situation. Additionally, every action carries multiple consequences that are impossible to calculate with unintended results while pursuing multiple goals at the same time may interfere with the attainment of one particular goal.

These limitations on substantive rationality imply that a theory of rational behaviour needs to be supplemented with assumptions about the goals i.e. the actor's conceptualization and information of a given situation, as well as an understanding of how an actor interprets the information at hand (Simon, 1985, pp. 294-296). As we have set ourselves certain boundaries and expectations regarding how the actor behaves this bounded rationality can thus be applied to analyse real-life events. These assumptions are then the building blocks of theory which in turn guide research and analysis. It follows then that the role of theory is to "...abstract, to generalize, and to connect" (Hollis & Smith, 1991, p. 61); as well as "...to explain generalized patterns of social behaviour and to guide an interpretation of a particular episode or sequence of events" (Levy, 2001, p. 48). The following discussion draws out the relevant assumptions of Neorealism and Institutionalism and how these perspectives relate to this study.

2.3. Theoretical approach

2.3.1. Neorealism and defence

Arguably the most influential theory, historically, within the field of international relations in explaining state behaviour seeking to preserve its existence in the international system. Its assumption is that states are driven by self-preservation in an anarchical international system with no supranational authority. Fundamental to that study is the role power plays in state to state relations. In *Theory of International Politics* Kenneth Waltz defined the international political structure as consisting of three components "... the principle according to which they are organized or ordered, second by the differentiation of units and the specification of their functions, and third by the distribution of capabilities across units" (Waltz, 1979, p. 88).

Borrowing heavily from classical economic theory, Waltz asserted that as with firms in a market the international system is a self-help system whose structure is defined by the interactions of sovereign states whose basic motivation is to secure their own survival (Waltz, 1979, p. 118). The second defining attribute of Waltz

political structure is the differentiation of units. But as the lack of any supranational authority in an anarchical system forces the units to remain alike Waltz only accepts sovereign states as units of the international system and this factor remains constant (Waltz, 1979, pp. 93-96). With sovereign states as a constant factor in the system it is the distribution of capabilities across the units that prevents the system from becoming static. As states face the same goals and tasks their ability to do so varies. States are unequal in their military, economic and political power which translates into existential concerns over how much power a state has in comparison with others (Waltz, 1979, pp. 129-131). States can never be certain about each other's intentions and the lack of any supranational authority translates into a looming possibility of force being used in state relations. Therefore, a state must be mindful of relative gains in any transaction, i.e. that its share is more than that of the cooperating state.

Despite inherent caution states must exercise in international cooperation the theory of Neorealism is not blind towards the fact that since the end of the Second World War international cooperation has steadily increased. This, however, is the result of one state gaining a hegemonic status within the international system and it is this hegemon which is the guarantor of stability (Gilpin, 1981, p. 144). For stability to be maintained within the international system the hegemon must maintain its comparative superiority. This hegemonic stability theory frames the foundation of the liberal international economic system as being created by the United States as a result of its predominant position in the post-war international system and the current liberal order will continue to thrive as long as the United States maintains its hegemonic status within the international system or is displaced by another state which chooses to preserve the stability of the system.

But how can a state survive in such a system and avoid being gobbled up a rival? There are two courses of action available for a state. The first option is to augment its own internal strength that manifests in its human capital and economic and material basis as well as its organizational capabilities (Handel, 1990, p. 68). However, small state attempts to expand its own internal strength to counter external pressure from a would-be aggressor are often hampered by a small population base, limited natural resources and small geographic area. Consequently, in fielding soldiers and churning out economic output a smaller state will always be at a disadvantage compared to a larger state. The second option is for states to seek formal alliances with one another – or at least an informal support – to deter and fight aggressors. The ideal strategy for weaker/small states is to ally with other small states¹ and create a balance of power against the more powerful states.

1 In the words of Kenneth Waltz: "Secondary states, if they are free to choose, flock to the weaker side, for it is the stronger side that threatens them. On the weaker side, they are both more appreciated and safer, provided of course that the coalition they join achieves enough defensive or deterrent strength to dissuade adversaries from attacking (Waltz, K, 1979, p. 127).

An influential thinker within the school of Neorealism, Stephen Walt, argued that it is a particular threat that a state balances against but not power in isolation. Having to choose whether to balance or bandwagon a state will always look towards what type of threat a power is to that particular state. In this context, threats consist of a number of state attributes that include aggregate power, geographic proximity and offensive power as well as aggressive intentions (Walt, 1987, pp. 22-26). A physically close state with greater industrial and military capabilities, the ability to project that military power abroad and with aggressive ambitions to boot will be viewed as a threat by other states. And as each state seeks to guarantee its existence instances will arise when states are compelled to form an alliance against a greater power. In a bipolar international system, the capabilities of each superpower dwarfs those of other alliance members which in turn translates into marginal contribution of smaller members to the alliance and fundamentally does not affect the overall balance of power (Waltz, 1979, pp. 168-170). Leeway for alliance members to influence the balance of power between states is therefore severely reduced.

On this view the Cold War period can be explained by the interests and actions of the two dominant states within NATO and the Warsaw Pact i.e. the United States and the Soviet Union as those blocks were created and shaped by the most powerful actors in the international system to provide effective tools for managing threat against each other (Mearsheimer, 1995, pp. 13-14), and should be more aptly described as security guarantees rather than alliances among equals as the two opposing blocs sought to balance each other through build-up of internal capabilities and alliance formation.

However, some scholars (Morrow, 1991 and Leeds & Savun, 2007) argue that symmetrical alliances as described above, i.e. alliances that are formed to increase the security of its members are in fact less stable than what they term as asymmetric alliances (Morrow, 1991). The latter term applies to alliances whereby a state receives security guarantees from a larger state in exchange for support or benefits, for example the right to set up military bases on its territory. By bartering security for autonomy, the members of an asymmetric alliance strike a more balanced alliance that is more likely to continue to provide benefits to its members after the original threat has receded.

Leeds & Savun (Leeds & Savun, 2007) build on that assertion and contend that alliances between democratic small and larger states are less likely to be abrogated opportunistically by its members, and more so if the alliance includes provisions for non-military cooperation which in turn increases the cost of abrogation. Although alliances between small and large powers are deemed by those scholars as more stable than symmetrical alliances Leeds & Savun identify four factors that are crucial to the value of an alliance to its members: the level of external threat, military capabilities of its members, shared policy goals among the allies and the availability of substitute allies (Leeds & Savun, 2007, p.1118).

How much autonomy a small state is willing to relinquish in exchange for security is open for debate. A crucial factor is of course the vulnerability of a particular state. One particular school of thought (Pórhallsson et al. 2018) advances the thought that political, economic and societal vulnerability of smaller states relative to larger states pushes them towards seeking shelter by allying with larger states, joining international organizations and by promoting international norms and rules that benefit smaller states to a larger extent than bigger powers. In its most extreme form vulnerabilities of a small state may compel it to subordinate itself to a larger state. That is to say, severely restrict its autonomy in exchange for security.

The fate of an alliance after a threat or the power balanced against has disappeared is ambivalently addressed by Neorealism. Alliances don't come cheap. Members align their defence policies and troops and material must be committed and if the need arises members will ultimately go to war. It is therefore reasonable to assume that the unity of an alliance and the willingness of its members to honour their obligations (McCalla, 1996, pp. 451-452) depends to a large extent on the perception of a threat or the threatening behaviour of a great power. Falling short of forecasting the death of NATO, McCalla predicted (McCalla, 1996, p. 454) that the absence of a common threat coupled with the pressure of costs would drive NATO members to cut military expenditure while members become more assertive and independent as inter-alliance disputes over alliance policy grows and members gravitate towards other less costly arrangements of international cooperation.

Other Neorealists bluntly stated their views that the Cold War had indeed been the binding glue in alliance cohesion and with the collapse of the Soviet Union NATO and the Warsaw Pact had lost their purpose and would both end up on the ash heap of history (Mearsheimer, 1990, pp. 5-6). At the same time Stephen Walt prophesied (Walt, 1990, p. vii), that "Although NATO's elaborate institutional structure will slow the pace of devolution, only a resurgence of the Soviet threat is likely to preserve NATO in anything like its present form."

While other theorists (Kupchan & Kupchan, 1991, p. 124) envisioned NATO replaced by a European collective security arrangement similar to the 19th century Concert of Europe. Comparable to its predecessor a new European concert should consist of the major European powers while also including the United States. To succeed the concert would have to be founded on a rule-based system and its ability to counter the power of any single state. Of course, the members of the concert would have to have a common view of what necessitates a stable and acceptable international order and a shared understanding of a specific international community founded on the shared belief that preserving that community is in the interest of individual nations.

Neorealist predictions that NATO would fade into obscurity have not come true. Since the end of the Cold War the alliance has expanded to include 29 states. As before the core of the alliance is article V of the Washington Treaty stating that an

armed attack against one of its members in Europe or North America is considered an attack against all members. Of course, it could be argued that NATO's survival is inherently linked to the unipolar nature of the post-Cold War international system (Waltz, 2000, p. 20). The threat instrumental for cohesion among NATO members has disappeared but NATO lives on because it serves the interest of the hegemon of the alliance i.e. the United States since through the alliance it is able to influence the foreign- and security policies of its members, an influence that would be severely reduced without the alliance.

Iceland is a small state with a population well under half a million and has been under foreign rule for most of its existence since settlement in the ninth and tenth century AD. Throughout the ages, Iceland's small population base translated into lack of a critical mass of people to raise armies while its small material base of production and limited natural resources has been far from providing credible or effective defences. From a Neorealist perspective, since building up its own capabilities to deter and resist possible aggression has not been an option the wisest course of action has been to seek formal alliances with other states which has been the policy of Icelandic decision-makers since 1941.

From the signing of Iceland's first defence agreement with the United States in 1941 Iceland was firmly placed in the U.S. sphere of influence. A position further entrenched with NATO membership in 1949 and the signing of the second defence agreement with the United States in 1951. From a Neorealist standpoint the defence agreements served both the interests of the United States and Iceland. The United States gained an important strategic military base in the North Atlantic while Iceland gained an alliance that credibly deterred any future military threat or aggression. The decision by the United States in 2006 to close its base in Keflavík spelled the end of 65-year continuous U.S. military presence in a country with no armed forces of its own.

As an asymmetrical alliance the defence relationship between Iceland and the U.S. translated into U.S. use of Icelandic territory for a military base in return for security at the expense of national autonomy. After all, the 1951 Defence Agreement between Iceland and the U.S. entrusted the U.S., on behalf of NATO, with the defence of Iceland and thereby absolving Icelandic governments of individual defence planning and preparedness. For most of the post war period the level of external threat and shared policy goals remained the same: to deter and resist Soviet aggression in the North Atlantic. However, as the Cold War came to an end the policy goals of the U.S. shifted away from territorial defence towards intervention during the Yugoslavian wars of succession in the 1990s to fighting wars in Afghanistan and the Middle East in the early 2000s.

However, although the Soviet Union was gone Icelandic priorities remained the same: keeping the U.S. defence force in Iceland and retain as much of the status quo as possible without offering up a credible rational why U.S. military forces

should be kept in Iceland. As a result, a logical conclusion should be that the defence relationship between Iceland and the U.S. should become less stable in the 1990s and onward into the early 2000s as U.S. policy goals shifted to other regions of the world. On that view, Icelandic decision makers should have been driven to ensure continued U.S. military presence in Iceland during the 2005/2006 defence negotiations, or, at the very least, a continued U.S. military guarantee after the base closed down. In the years following the closure it should also be expected that Icelandic decision makers should move towards deepening defence cooperation with other regional states and move towards building up domestic defence capabilities in Iceland to compensate for the loss of the U.S. defence force and the defence capabilities that it provided.

2.3.2. Institutionalism and defence

Institutional theory builds on the foundation of Neorealism but supplements its focus on power and interests with international cooperation through informal or formal institutions. Or as phrased by Robert Keohane:

Realist theories that seek to predict international behaviour on the basis of interests and power alone are important but insufficient for an understanding of world politics. They need to be supplemented, though not replaced, by theories stressing the importance of international institutions (Keohane, 2005, p. 14).

Neorealism gives prominence to power and security while Institutionalism focuses on how states benefit by fostering trust by cooperating through institutions. Institutional theory is not in disagreement with Neorealism about the nature of the international system. As in Neorealism the state is viewed as the primary unit of an international system that is anarchical in nature. And, as with Neorealism, the state is assumed to be a rational self-preserving unit that seeks to maximise its own interests. However, what sets Institutionalists apart is the value they place on international regimes/institutions in fostering cooperation among states.

Fully self-interested states in an anarchical international system with no supranational authority acknowledge the fact that international cooperation provides states with Pareto-efficient gains i.e. optimal solutions that leave all parties better off after a transaction (Varian, 2003, pp. 15-16). However, in a self-help system cooperation is always threatened by the risk of a state defaulting on its commitment for selfish gains.

In the context of defence, in particular nuclear arms reduction talks, such a prisoner's dilemma runs the risk that after country A and B have agreed to reduce their nuclear arsenals the incentive remains for both states to cheat in the hope that the other party honours the agreement, thus tilting the balance of power in its favour. Of course, by both cheating they will find themselves in the same relative position as if no agreement had been reached. Therefore, to ensure that both sides honour their

agreement and reach a Pareto-efficient equilibrium a regime or an institution needs to be in place that ensures that participants overcome their incentive to cheat (Stein, 1993, p. 41) as mechanisms to identify co-operators and defectors and means to punish and reward provide participants with the incentive to cooperate (Axelrod & Keohane, 1985, p. 249). Such regimes or institutions are defined as:

Sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations. Principles are beliefs of fact, causation and rectitude. Norms are standards of behaviour defined in terms of rights and obligations. Rules are specific prescriptions or proscriptions for action. Decision-making procedures are prevailing practices for making and implementing collective choice (Keohane, 2005, p. 57).

Regimes usually don't have the power to enforce its rules but through consistency in behaviour states gain a reputation for being a reliable partner making them desirable for cooperation which becomes reinforced and institutionalized through reciprocity (Axelrod & Keohane, 1985, p. 250). Through regimes states will come to expect certain benefits such as lower transaction costs and patterns of expected behaviour that reduces uncertainty and introduce mechanisms to pool resources together (Keohane, 2005, pp. 88-94) thus bringing the added value of economics of scale. Far from being a perpetual motion machine or depending on the patronage of a hegemon a regime will continue to survive as long as its members derive benefits that exceed the cost of maintaining that regime.

While majority of members of a regime see the benefits of maintaining that structure the nature of the self-help anarchic international system means that the defection of one member can have disastrous consequences. In particular if the defection is from a security regime. Consequently, the threat associated with defection of others makes states wary of security cooperation (Lipson, 1993, pp. 70-71). But security regimes can evolve into security institutions if participating states "...engage in a formal and contractual obligations to co-operate on security matters, and they may choose to create a formal organization to facilitate the pursuit of their collective objectives" (Rafferty, 2003, p. 344). For Institutionalists the motivation is to provide a more effective balancing against any possible aggressor with the added benefit of building trust and alleviating the security dilemma² among members themselves through deepened security cooperation (Kupchan & Kupchan, 1995, pp. 56-57). Therefore, while security institution, such as NATO, are expensive to

2 In an anarchical system states can never be certain about each other's intentions. Therefore, it follows that a nation's military build-up, although intended for defensive purposes, will be perceived by its neighbour as a threat – since the weapons can be used for offensive purposes as well. For further discussion of the security dilemma see (Jervis, 1982).

create and maintain its members will chose to do so as long as they perceive that such an alliance outweighs the costs. That is to say, the institution provides its members with credible collective security while at the same time reducing through pooling of resources over-all financial burden on individual states, (Rafferty, 2003, p. 345).

According to the Institutionalists thinkers Wallander and Keohane (Wallander & Keohane, 2002, p. 96) durability and issue density are key factors in determining whether members are willing to invest in a security institution. Durability refers to how long a specific threat or a challenge is expected to last as members are more willing to pay for institutions intended to deal with a long-term security problem. While issue density refers to the number and type of issues within a given policy area. Within a dense policy area, the members are expected to cooperate on related issues through the institution in question. An example is the role NATO played during its first years in deterring the Soviet Union but also by rearming Germany without provoking fears among France, the United Kingdom and other NATO members of a resurging militarily strong Germany since German armed forces were placed under a NATO command structure (Tuschhoff, 1999, pp. 141,144) thus denying Germany a national chain of command. An arrangement that persisted until unification of the two Germany's in 1990 when a national military chain of command was established.

The importance of norms has been briefly touched upon as they are instrumental in complying members to adhere to an expected behavioural process. Development of norms and procedures within a security institution such as NATO permits members to create a joint understanding of collective rules of behaviour and the sharing of different tasks within the alliance (Wallander & Keohane, 2002, p. 94). A member that does not comply with certain norms can thus be deemed a defector from agreed behaviour.

To build on the example of NATO as an ideal security institution, NATO started out in 1949 as an alignment of states but quickly evolved into a highly institutionalised security coalition. By the early 1950s NATO had a sophisticated institutional structure in place that consisted of the North Atlantic Council (NAC) and a unified military command structure, Supreme Headquarters Allied Powers Europe (SHAPE), under the command of a Supreme Allied Commander Europe (SACEUR). By institutionalising the alliance its members made individual defection more costly as leaving would relinquish benefits inherent in an effective and credible nuclear deterrence and a cluster of joint command centres with integrated military staff from member countries. Consequently, an attack on a single centre would de facto be an attack on all members (Rafferty, 2003, p. 349). By the mid-1950s, NATO had settled in its Cold War role of deterring the Soviet Union and managing inter-alliance commitment to collective defence. To prevent members from free riding within the alliance and contributing their fair share (Tuschhoff, 1999, p. 151) members were required by the NATO defence planning system to annually report

their current defence capabilities as well as their industrial and financial capacities on a standardised NATO questionnaire. The information was then made available to all member countries, making it possible for each state to assess on its own how well other members were performing. Member adherence to norms proved resilient and was often the deciding factor in maintaining stable troop levels in Central Europe throughout the Cold War (Duffield, 1992, pp. 846-853).

An institutional account as to why NATO survived the Cold War differs fundamentally from the Neorealist narrative. The Institutional narrative argues that for member states to use existing NATO procedures and mechanisms to deal with new security issues was far less expensive in economic and political terms than starting anew (McCalla, 1996, p. 464). Therefore, its members will continue to rely on its institutional functions to address security and defence challenges as long as the alliance is able to do so at a lower cost than any alternative arrangements. An example of such successful adaptability is NATO's role in post-Cold War conflicts such as the disintegration of Yugoslavia in the 1990s (Wallander, 2000, pp. 708-709) and involvement in Afghanistan and Iraq (Kay, 2006, pp. 62-74 and Suh, 2007, pp. 13-14) from the early 2000s and onward.

A NATO founding member in 1949, the alliance membership has served as the second pillar of Iceland's defence policy. However, NATO membership was always a by-product of its defence relationship with the U.S. that sprung out of the post war security environment and the only way for Iceland of securing formal security guarantees. In that sense, NATO membership was a continuation of the 1941 Defence Agreement and the 1946 Keflavík Agreement that gave the U.S. access to Keflavík airport.

The Institutional perspective sheds light on the gains Iceland attained through NATO membership. From the signing of the 1951 Defence Agreement Iceland was free from investing in its own defence. While willing to engage in formal contractual obligations and participate in a formal organization to further collective defence objectives Iceland was to a large extent exempt from the costs associated with being a NATO member. Iceland would not have contributed soldiers to armed conflicts and was exempted from contributing to common defence funding while benefitting handsomely from U.S. and NATO defence investment in Iceland. From an Institutional perspective Iceland enjoyed a preferential position. Able to gain advantages from belonging to a security alliance while being exempt from pooling defence resources with other members, apart from the use of Icelandic territory.

Therefore, the closure of the U.S. military base was a blow for the Icelandic government. Not only did it have to give serious consideration to how to respond to the closure in the context of safeguarding its national defence but it also had to assume and maintain defence tasks in Iceland that had previously been the responsibility of the United States. Since not doing so would have been a defection from expected behavioural norms by other NATO member states.

While Institutionalists place value on the durability and issue density of a security institution to predict the behaviour of alliance members, two separate governments threatened in 1956 and 1971 to expel U.S. military forces from Iceland and thus undermine the fundamentals of collective defence, thus breaking from institutionalized norms and expectations of behaviour. On both occasions, left of centre governments used the defence agreement and Iceland's NATO membership to achieve its goal of extending Iceland's EEZ against forceful opposition of other NATO members, in particular the U.K.

With the original threat of NATO gone by the 1990s usefulness of NATO for Icelandic defence and security interests still continued. Defence infrastructure funded through common NATO funding remained in place benefitting the Icelandic government, such as Search and Rescue provided by the defence force, air traffic safety through the forwarding of primary military radar signals to civilian aviation authorities and a host of other functions relating to the running of Iceland's primary international airport.

From an Institutional perspective, during the 2005/2006 defence negotiations Icelandic decisionmakers should have been driven by the need to preserve those defence processes and mechanisms carried out by the U.S. defence force in Iceland as they aligned with Icelandic defence interests and NATO expectations. Furthermore, after the closure of Keflavík base Icelandic decision makers should have been expected to increase Iceland's activity within NATO structures and agencies in an effort to strengthen the institutional pillar of its defence policy seeing how the U.S. was no longer willing to provide stationing of U.S. forces in Iceland.

2.3.3. *Alternative theories of explanation*

As stated earlier, the perspective of this study is anchored within the theoretical schools of Neorealism and Institutionalism and while both schools of thought view the state as a rational unified actor other theories of state behaviour look beyond the rational unified approach and place emphasis on the influence of domestic politics on foreign policy making and the interests and motives of agents i.e. people involved in the decision-making process.

In the context of this study the perspectives of Political Economic thought and Social Constructivism offer interesting contending approaches to the explanations of actor's motives offered by Neorealism and Institutionalism during the 2005/2006 defence negotiation phases and the setup of Icelandic defence arrangements for the period 2006-2013.

A valuable insight offered by the Political Economic approach is the light it shines on state-society relations as the state is viewed as composing of a multitude of societal actors (institutions, individuals, ideas and groups) that shape state preferences (Viotti & Kauppi, 2020, p. 87) as such, the Political Economic approach blurs the lines between domestic politics and foreign policy goals as they are intrinsically

linked with domestic politics: domestic politics shape foreign policy goals which in turn impact domestic politics.

In his study *Diplomacy and Domestic Politics: The Logic of Two-Level Games* Robert D. Putnam (Putnam, 1988) argues that international negotiations between states consist both at the international level between governments and at the intranational level where domestic interest groups influence the negotiation goals with their preferred outcomes. A negotiated agreement therefore reflects outcomes acceptable to domestic interest groups.

The Icelandic defence relationship with the U.S. created economic windfalls that benefitted different groups in society representing the business sector, labour unions and different regions in Iceland, in particular the communities on the Reykjanes peninsula that depended on Keflavík base for employment throughout its 55-year existence. In some instances, services provided by Icelandic companies to the defence force, such as Icelandic Prime Contractor (Íslenskir Aðalverktakar, ÍAV) formed in mid 1950s with an exclusive right to bid on construction projects at Keflavík base, had direct financial links to the Independence Party and the Progressive Party that formed the backbone of most Icelandic governments throughout the post war period.

Explanations falling under the rubric of Political Economy, i.e. the effect of political economic factors on Iceland's defence relationship with the U.S. would predicts that the position of Icelandic decision makers in the 2005/2006 defence negotiations with the U.S. would be shaped by economic considerations and financial gains of influential interest groups that benefitted from the presence of the U.S. defence force in Iceland. Following the closure of the base future defence arrangements and domestic setup should also be dictated by groups and individuals best situated to shape state preferences.

A second alternative approach looks at the perception and worldview of the individual actors engaged in the defence negotiation process. This is referred to as the Constructivist approach. According to the Constructivist approach policy makers are not empty vessels but approach policy goals and problems imbued with preconceived notions about the world and how it works.

Social Constructivism brings a sociological perspective onto the field of international relations and its subfield of security studies. Social Constructivism does not refute the Neorealist and Institutionalist assumption that material capabilities are important in analysing matters of state security (Katzenstein, 1996, p. 2), but their argument is that the interests of states, including security interests, are defined by actors, individuals, who in turn are influenced by factors such as norms, identity, and culture. Identity is a key component of actors and can be multiple. In its essence, identity are the sets of meaning that an actor has about himself and gives him a cognitive sense of what his social role is as well as imbuing him with shared expectations and understanding of the social world (Wendt, 1994, p. 385) and

actors can acquire various socially constructed identities through their interaction with other actors.

When identities and interests are relatively stable, or set within a structure, an institution is formed. An institution, in constructivist terms, is basically a cognitive phenomenon that does not exist outside the idea of the actor of how the world functions. Institutions encompass a shared knowledge that constitutes more than simply individual participants. The way that an institution functions is set down in norms and formal rules. These norms and rules will only be obeyed though, if those involved participate in the collective knowledge of the institution (Wendt, 1992, p. 399). On this view, institutionalization does not just change the behaviour of actors; but internalizes norms and rules that become part of an actor's social identity, which in turn will affect a state's interests.

From 1991 until late 2005 policy formulation and defence negotiations on the Icelandic side with the U.S. were handled by a handful of people thanks to an unusually stable political environment that saw Davíð Oddsson holding the office of Prime Minister continuously from 1991 until 2004 and Minister for Foreign Affairs 2004-2005. Oddsson left politics in the autumn of 2005, during a critical period of the defence negotiation process. And replaced at the Ministry for Foreign Affairs by Geir H. Haarde. According to the Constructivist approach, the change of a Minister for Foreign Affairs during a delicate defence negotiation should lead to a change in tactics or negotiation goals if those two actors are notably different in terms of world view and outlook and who have internalized different norms which would translate into different state interests.

Equally, following the closure of the base state preferences for future defence arrangements are made by individuals that have differing identities and ideas about how the world functions. This in turn may affect the state decision making preferences in the setup of domestic defence institutions and arrangements during the time period of 2006-2013.

3. Iceland's defence relationship with the United States

Until the early and mid-20th century Iceland was an isolated part of the Kingdom of Denmark on the periphery of Europe. Technological developments and two world wars made Iceland an indispensable ally for the United States and the Western block during the Cold War. This chapter provides an overview of the fundamental vulnerabilities facing Iceland until entering a defence relationship with the United States in 1941 and how the defence relationship benefitted Iceland during the Cold War. In particular in economic terms in the 1950s and in providing a political leverage for Iceland in achieving its major foreign policy objective in the latter part of the 20th century, the gradual extension of Iceland's EEZ until the current 200 nautical mile EEZ was reached in 1976.

3.1. Early history

Iceland was settled in the 9th and 10th century with the arrival of Norse settlers from Norway and the British Islands. After decades of conflict between the ruling families of Iceland in the 13th century Iceland came under the rule of the Norwegian monarchy in 1262 through signing of the Old Covenant (*Gamli sáttmáli*). In 1380 control of Iceland passed over to the Danish monarchy through a marriage between the Danish and Norwegian royal houses. Following the eventual abolition of the Kingdom of Norway in 1537 Iceland was ruled directly by the Danish king and his officials.

During the centuries of Danish rule Iceland's remoteness from Denmark translated into difficulty for the Danish monarchy to provide Iceland with adequate defence (Thorsteinsson, 1992b, p. 10). In the early 15th century English merchants and fishermen increasingly set sail for Iceland and while relations were usually peaceful English raiders occasionally robbed the residency of the Danish governor of Iceland and looted churches. Throughout the 16th and 17th century there were instances of pirates raiding the coast of Iceland with the most notorious raid taking place in 1627 when Algerian pirates killed up to 50 people and abducted roughly 400 Icelanders. Danish warships in Icelandic waters were a rare sight and if seen provided escort to Danish merchant vessels. No local military force existed in Iceland although in 1580 king Fredrik II of Denmark dispatched a shipment of six guns and eight spears to every county in Iceland (Jóhannesson, 1968, p. 123-126) and in 1586 ordered the construction of a small fortification in Vestmannaeyjar Island of the south coast of Iceland.

As a part of the Kingdom of Denmark there loomed the risk that Iceland would be dragged into conflicts that Denmark was embroiled in with other nations. A notable episode took place in 1809 during the Napoleonic wars. After Denmark sided with Napoleonic France the British Navy began to intercept shipping between Denmark and her territories in the North Atlantic.

By restricting trade between Iceland and Denmark the British Navy opened up lucrative business venture for others (Agnarsdóttir, 1979, p. 29-36) and in January 1809 a London based soap merchant Samuel Phelps set sail for Iceland on an armed merchant vessel. Arriving in Iceland Phelps and his companions were forbidden to trade by the local authorities. Not intending to let a good business opportunity go to waste Phelps was eventually able to sign a trade agreement with the representatives of Danish authority in Iceland. However, the trade agreement Phelps secured was nullified by the highest-ranking Danish official in Iceland, Count Trampe, who also declared that trading with British merchants would be punishable by death. After forcing the Count to honour the previous agreement Phelps and his crew of eleven men decided to stage a coup. Trampe was arrested and Phelps appointed a Danish prisoner of war, Jørgen Jørgensen, as Lord Protector of a free independent Iceland.

In mid-August this little coup came to an abrupt end with the arrival in Reykjavík of the British frigate *HMS Talbot*. Its commander, Alexander Jones, took the view that the British government would not sanction the coup as Phelps had violated not only British but also international law (Agnarsdóttir, 1999, p. 129). On 21 August Jones handed over all power in Iceland to Danish officials. The adventure of Phelps and Jørgensen underlines Iceland's vulnerability, as well as Denmark's inability to provide the island with adequate defences. Iceland's greatest guarantee lay in its remoteness, but as the modern era drew closer that assurance became more and more outworn.

In 1874 King Christian IX granted Iceland a separate constitution and in 1904 the Ministry for Icelandic affairs was transferred from Copenhagen to Reykjavík and Icelanders granted home rule.

With the outbreak of war in 1914 Iceland's dependency on open trade routes in the North Atlantic became painfully obvious. After the British government initiated an embargo on the Central Powers the British Navy began to intercept merchant vessels sailing between Iceland and Denmark and confiscate cargo considered at risk of being sold onward to Germany. Understandably the Danish government protested this violation of Danish sovereignty. Under the threat that the United Kingdom would stop supplying Iceland with coal (Jónsson, 1969, p. 578-579) the Icelandic home rule government agreed in August 1915 that all ships sailing from Iceland to European ports would have to make a port-of-call in a British harbour for inspection. In the winter of 1915-1916 the British grip on Icelandic foreign trade became tighter and tighter.

In early spring 1916 a trade agreement was signed between the British government and the Icelandic home rule government that gave special consideration to Icelandic-Danish trade (Jensdóttir, 1980, p. 105). The British authorities set a quota of Icelandic exports that could be traded to Denmark. However, Icelanders were allowed to export freely to Britain and other allied and neutral nations except for those bordering Germany (Jensdóttir, 1980, p. 45). For its part, the British government was obliged to purchase Icelandic exports that Iceland was unable to sell to other markets and to provide Iceland with essential goods such as coal and salt.

This was of course highly unusual as any negotiations on foreign trade should have been between the British government and their Danish counterpart in Copenhagen. However, the British embargo and British- Icelandic trade relations revealed a simple truth: Iceland was within a British sphere of influence and Britain could do as it pleased. Danish powerlessness was apparent and all that the Danish government – in the form of Minister for Foreign Affairs Erik Scavenius – could hope for was a briefing from the Icelandic negotiators on the content of the British-Icelandic trade agreement (Björnsson, 1957, p. 101). British interference with Icelandic trade lasted until the end of the war. The trade agreement was renegotiated in 1917 and 1918 and remained valid until 1 May 1919.

Determining Iceland's foreign trade policy during the war was not the only British interference in Icelandic matters as they also dictated through their Consul in Reykjavík that all telegrams sent abroad had to be in either English or French. The only telegrams exempt from this rule were ciphered telegrams the British Consul sent to his supervisors in London (Jensdóttir, 1980, p. 17). Why the Icelandic home rule government complied with such intervention is quite simple. The only telegram cable connecting Iceland with the outside world lay between Iceland and Scotland. Therefore, for the British to sever completely Iceland's communication with the outside world was quite easy.

The 1918 Union Act between Denmark and Iceland was a milestone towards Icelandic independence. The Act defined the status of Iceland and Denmark as two sovereign states in a personal union that shared as head of state the Danish monarch. Giving both states the option to terminate the Union Act after 25 years which would grant Iceland a fully independent statehood. The highest level of the judiciary remained in Copenhagen until the establishment of the Icelandic Supreme Court (*Hæstiréttur*) in 1920. And in matters of foreign affairs and defence the same symbiotic relationship remained between the two states. Without any foreign service of its own the Icelandic government formulated its own foreign policy which was then implemented on Iceland's behalf by the Danish foreign service.

The Union Act stated that Iceland was a neutral state which has to be viewed in context of the personal union between Iceland and Denmark as its purpose was to prevent Iceland or Denmark from being automatically involved in a conflict

alongside the other state. However, Iceland was free to withdraw its neutrality and take side in a conflict. The merits of the neutrality clause were hotly debated at the time among the political elite in Iceland (Arnórsson, 1923, p. 119). Some were of the view that it provided an adequate safeguard against aggression while others argued that declarations of neutrality were of limited use and had not protected Belgium or Luxembourg from aggression in 1914 and that a declaration of neutrality would not protect Iceland during times of war if the great powers believed they could use Iceland for their own advantage.

3.2. The defence relationship with the United States

What remained of the bond between Iceland and Denmark was severed by the Nazi invasion and occupation of Denmark on 9 April 1940. On the same day British authorities invited the Icelandic government to join the allied cause and requested use of facilities in Iceland. The offer was turned down on the basis of the neutrality clause of the Union Act (Whitehead, 2006, pp. 30-32) while Icelandic cabinet members privately expressed their view to the British ambassador in Reykjavík that they hoped British naval dominance in the North Atlantic would deter any German aggression against Iceland.

The British, mindful of their own interests, sprang into action and on 10 May 1940 a British expeditionary force invaded and occupied Iceland. Later that evening Prime Minister Jónasson in a national radio address gave an account of the invasion and described the British occupation as a precaution against possible German action against Iceland while emphasising that the British government had no intention of involving itself in Icelandic domestic affairs.

The United States, still a neutral country in the winter of 1940-1941, was increasingly becoming more involved in the allied war cause and actively sought ways to alleviate pressure on overstretched British forces. For President Roosevelt such a course of action might include replacing British forces in Iceland with U.S. troops (Corgan, 1992, p. 139). In late 1940 tentative discussions took place between U.S. officials and the Icelandic government. As discussions progressed it became clear that the U.S. government was only willing to take over the defence of Iceland through a formal invitation from the Icelandic government (U.S. Department of State, 1959, pp. 777-780). The issue was debated within the Icelandic government since such an invitation signified a fundamental change in Icelandic defence policy as it meant abandoning the position of neutrality and joining the allied camp (Stefánsson, 1966, pp. 190-194). After all, Iceland was an occupied country and had no say in the presence of British troops on its territory. However, by inviting U.S. troops to Iceland the government of Iceland was making a sovereign decision to accept U.S. military protection.

Eventually, the government agreed to renounce neutrality and on 1 July 1941 an exchange of notes took place between President Roosevelt and Prime Minister Jónasson whereby the government of Iceland invited the U.S. government to supplement and eventually replace British forces in Iceland. However, the invitation depended on a number of conditions that the U.S. government was required to meet. Chief among them was a promise that all U.S. military forces would be immediately withdrawn from Iceland on the conclusion of the war. The government of Iceland would not have to contribute any funding to the defence of Iceland. The United States would recognize the independence and sovereignty of Iceland, secure shipping to Iceland, grant Icelanders favourable trade agreements and to supply Iceland with necessities (U.S. Department of State, 1959, pp. 785-787). Simultaneously the Icelandic government reached an agreement with the British government to recognise Iceland's independence after the war and to promote trade between the two countries (Thorsteinsson, 1992b, p. 214). After the governments of the three countries had reached a final agreement the road was paved for the arrival of U.S. troops on 7 July 1941. Two days later the Icelandic Parliament ratified the 1941 Icelandic-U.S. Defence Agreement and U.S. forces gradually replaced most of the British troops in Iceland although some remained in Iceland until 1945.

Throughout the war both U.S. and British military authorities constructed a number of military facilities in Iceland. Chief among them were the airports in Reykjavík and Keflavík. Reykjavík airport, constructed by the British in 1940, was handed over to the Icelandic authorities but a more complicated picture emerged with the handover of Keflavík airport (built by the U.S. in 1942). As early as 1942 policy makers in Washington D.C. realised that it remained a U.S. strategic interest to retain military bases in Iceland after the end of the war and by 1944 the U.S. Joint Chiefs of Staff concluded that Iceland was second only to England and Greenland for U.S. offensive and defensive purposes in Europe (Whitehead, 1998, pp. 18-19). Shortly after the end of hostilities in October 1945 the U.S. government formally requested a 99-year lease of land for military bases at Keflavík airport and two naval facilities close to the capital of Reykjavík. The Icelandic government was willing to enter exploratory talks (Whitehead, 1976, p. 144) but rejected the proposal for domestic political reasons.

However, in August 1946 the two sides reached an alternative arrangement that allowed continued U.S. military use of the airport (Thorsteinsson, 1992b, pp. 313,314). Keflavík airport was to be handed over to the Icelandic authorities. However, air traffic control and all other aspects of running the airport would remain in the hands of a U.S. civilian contractor funded by the U.S. government. The so called Keflavík Agreement revoked the Defence Agreement of 1941 and in early 1947 all U.S. troops had been removed from Iceland. Far from what the U.S. government had been planning for in 1945 the agreement nevertheless gave the U.S. a foothold in post-war Iceland.

Among the Icelandic political establishment there was little support for long term U.S. military bases in Iceland but there were clear gains to be had from continued U.S. interest in Iceland and miniscule U.S. military presence in Iceland in the form of transit flight at Keflavík airport between North America and Europe. There was a certain element of deterrence in having American contractors present at Keflavík airport and clear financial gains to be had since the Icelandic authorities were fully exempt from funding the airport and the Icelandic government could of course hope in turn for favourable trade concessions from the United States.

The 1918 Union Act came to an end in 1944 and Iceland emerged as a fully independent state. Following the defeat of the Axis powers in 1945 the wartime alliance between the United States and the Soviet Union quickly unravelled and by 1947 it was clear that the two powers were becoming locked in a Cold War.

The precarious world situation was not lost on Iceland's coalition government³ formed in February 1947 or the political leadership in neighbouring Scandinavian countries who shared their concerns of Soviet expansion and aggression with their Icelandic colleagues (Stefánsson, 1967, pp. 42-43 and Jónsson, 1973, pp. 132-133). The formation of a regional security defence regime in Scandinavia was dreamt up and the leaders of Sweden, Denmark and Norway discussed the creation of a Nordic defence alliance. Deliberations began in May 1948 but soon reached a dead end because of a fundamental disagreement to the premise of such an alliance. Sweden insisted that the alliance would have to be based on the concept of neutrality and non-alignment (Lundestad, 1980, pp. 211-212) while Norway and Denmark insisted on close alignment with western powers.

The Icelandic government followed the discussions from afar but was looking westward rather than eastward in seeking defence guarantees. In the autumn of 1948 the U.S. ambassador in Reykjavík, Richard P. Butrick, brought up with Foreign Minister Bjarni Benediktsson the possible creation of a defence alliance that would include North America and Western Europe and sought his views on a possible Icelandic participation (BB, 1948). Benediktsson informed Butrick that he would have to consult his government before a formal invitation could be received and that the position of the Icelandic government would be greatly influenced by what position the Danish and Norwegian governments had towards such an alliance.

In late January 1949 Benediktsson consulted with both Danish Foreign Minister, Gustav Rasmussen, in Copenhagen and the Norwegian Foreign Minister Halvard Lange in Oslo. The Danish position was that the government was considering the U.S. proposal as an alternative option in case the Scandinavian defence talks would fail (BB, 1949a), however, the political parties were divided on the issue

³ The coalition government consisted of Social Democrats, Progressive Party and the Independence Party, headed by the Social Democratic Prime Minister, Stefán Jóhann Stefánsson.

and the Danish government would have to obtain more information about what membership entailed before making any commitments.

In Oslo Benediktsson received a similar pragmatic and cautious reply as in Denmark. Foreign Minister Lange explained that the Norwegian government would most likely choose to participate in treaty talks with the United States as he did not expect the creation of a Scandinavian alliance to become a reality. However, the Norwegian government would insist that there should be no foreign bases in Norway during peacetime (BB, 1949b). Having mapped out the position of Iceland's fellow Nordic nations Benediktsson informed Lange that his government desired to be able to consult with Norway on these matters since Icelanders lacked expertise and knowledge in military matters to which Lange responded favourably.

Eventually in March 1949 the Department of State invited the government of Iceland to send a delegation to Washington D.C. for further discussions about the proposed alliance. Made primarily up of representatives of the three-party coalition government the delegation consisted of Foreign Minister Bjarni Benediktsson (Independence Party), Minister for Commerce and Trade Emil Jónsson (Social Democratic Party), Minister for Education, Eysteinn Jónsson (Progressive Party), the ambassador to the United States Thor Thors and Hans G. Andersen from the Ministry for Foreign Affairs.

The delegation was greeted at the State Department by Secretary of State Dean Acheson who was flanked by a number of high-ranking officials. Acheson framed the discussion by acknowledging that Iceland had no armed forces of its own and that the government of Iceland had no desire for foreign troops to be stationed in Iceland during peacetime. After giving a brief introduction to the general principles of the treaty articles Acheson took his leave and allowed the talks to continue without his presence.

The discussion that followed centred on the obligations Iceland would be expected to assume as a member of the alliance (U.S. Department of State, 1975). The primary goal for the Icelanders was to ensure that foreign troops and bases would not be placed in Iceland during peacetime while there were also concerns that that an agreed treaty would oblige Iceland to renew the 1946 Keflavík Agreement. Director of the Office of European Affairs John D. Hickerson was the one to answer by saying that alliance members would need certain facilities in Iceland and Keflavík airport would have to be available during emergencies. However, maintenance would most likely be funded by the U.S. government. With regard to foreign forces in Iceland, rather than relying on static forces the intention was to ensure the protection of Iceland through the control of the air and sea lines of communication.

The Icelanders were content with leaving the issue of bases aside for the time being but inquired whether the U.S. and the U.K. would not be automatically compelled to aid Iceland if attacked because its importance to their interests regardless of whether Iceland became a member of the alliance or not. Not disagreeing with that statement

Charles E. Bohlen, counsellor at the State Department, replied that Iceland would be sending out signals that the Soviet Union might take advantage of and help would only arrive after an attack had taken place. The Icelanders also inquired whether Iceland could stand outside the treaty but declare instead that Iceland would provide the U.S. and the U.K. with facilities in Iceland if war broke out. In turn, the U.S. and the U.K. would announce that an attack on Iceland equalled an attack on them. Bohlen and Hickerson replied that the Icelanders were talking about a separate alliance between Iceland and the U.S. and the U.K. which was not on the table and neither was a unilateral U.S. security guarantee for Iceland.

Reconvening the day after the U.S. side was reinforced by officials from the Pentagon. The purpose of this second meeting was to discuss Iceland's military vulnerability and provide answers to any questions of a defence and military nature the delegation might have. For the Icelanders the fundamental issue remained that no foreign forces should be based in the country during peacetime while at the same time not jeopardizing Iceland's security. It came to Air Force Major General Anderson to answer this question. Anderson pointed out that Iceland was strategically well placed for an attack both on the United States and the Soviet Union. Therefore, in the event of war both sides would try to prevent the other from using Iceland for military purposes. Navy Admiral Wooldridge backed up his colleague and pointed out that it would be possible to reinforce Iceland prior to outbreak of war as hostilities are usually preceded by a period of escalation.

With good planning and facilities in place Iceland would be reasonably secure without permanent troops in the country as a Soviet attack would most likely involve landing small number of troops in submarines and freighters or the use of paratroopers to capture important airfields. Anderson and Wooldridge emphasised that the United States would never tolerate Soviet controlled Iceland regardless of whether Iceland would be a member of the planned military alliance or not (BB, 1949c). A counter attack to retake the island would incur huge damage and loss of life since most of the population in Iceland was concentrated in the South-West of the country in close vicinity to the main airports and harbour.

The final meeting was convened in the State Department on 16 March. Holding firm to its position that no foreign troops should be stationed in Iceland during peacetime the Icelanders sought a confirmation that facilities in Iceland would not be required unless a member state had been attacked which invoked article V of the treaty agreement stipulating that attack on one-member equalled attack on all. Hickerson agreed that article V would have to be invoked or a state of an emergency declared in which the government of Iceland would have to decide whether to accept foreign troops or not of its own free will. At the conclusion of the final session Hickerson stated that the United States would be willing to publicly declare that alliance member's understood Iceland's special status as a country without armed forces and that no foreign troops or bases should be stationed in Iceland during peacetime.

Shortly after the delegation returned to Iceland the government put forth a resolution in Parliament that would commit Iceland to membership of the North Atlantic Treaty Organisation (NATO). Intense debates ensued in Parliament with the Socialist Party vehemently against membership as they saw it as one step towards delivering Iceland into the hands of American imperialism (Guðlaugsson & Jónsson, 1976, p. 130). Parliament voted on membership on 30 March 1949 under a hailstorm of broken glass as socialist demonstrators in front of Parliament bombarded the parliament building with rocks. Accession was approved with 37 votes against 13. Opposed were all the members of the Socialist Party, two members of the Social Democratic Party, and one member of the Progressive Party while two Progressive Party members abstained.

As previously discussed, one of the main concerns of the Icelandic delegation during the Washington talks in March 1949 had been that no military bases or foreign troops should be placed in Iceland during peacetime. During the Second World War, tens of thousands of foreign soldiers lived amongst the 120,000 natives of Iceland and although relations between Icelanders and allied soldiers were mostly amiable such high numbers of foreign soldiers did cause tension within an Icelandic society coming to grips with its own post-independence identity and was viewed by many Icelanders as a threat to Icelandic cultural integrity.

However, the Icelandic insistence not to accept foreign troops in Iceland – coupled with the absence of any Icelandic defence force – was a source of frustration for policy makers in Washington D.C. as evidenced in a report by the U.S. Department of State, dated 15 May 1950:

This inconsistency between Iceland's unwillingness to undertake any measures in its own defence on the one hand, and its desire for protection on the other, is manifested in the attitude of Icelanders toward the Keflavik airport. Recognition of its strategic importance had led the government to acquiesce in its existence – and to use it as a bargaining point in obtaining such financial and other assistance as they have desired. Nevertheless, they have not only remained opposed to any military measures designed to protect Keflavik against sudden attack but have shown a continuing urge to assume full control over the airport even though they are neither technically nor financially able to operate it (U.S. Department of State, 1977, p. 1466).

Justified or not, what the U.S. Department of State perceived as an apathetic Icelandic approach to its own security would soon change with events taking place in South East Asia. On 25 June 1950 North Korea invaded South Korea. Coinciding with mounting tensions in Europe between East and West was the appearance of a Soviet herring fleet in the fishing grounds off the coast of northern Iceland.

Icelandic decision makers could not dismiss the possibility that this was a disguised Soviet naval convoy as gun mountings were spotted on ship decks although

no visible weaponry was in sight (FO-371/86501, 1950c). Foreign Minister Bjarni Benediktsson voiced his concerns to the U.S. and British ambassadors and the U.S. response was to offer to send four destroyers to Icelandic waters. Shortly after the destroyers arrived in Reykjavik harbour rumours spread that locals had spotted a submarine in the waters off Reykjanes peninsula close to Keflavik airport. The U.S. and British authorities confirmed that none of their submarines were in the area prompting the Icelandic government to request for the destroyers to be stationed in Iceland until the Soviet herring fleet had departed later in the autumn (FO-371/86501, 1950d). The U.S. and British authorities were inclined to regard the mysterious submarine as a mere rumour while considering whether this scare could be used to press Icelanders into improving the defences of Iceland.

Instead of relying on direct pressure the U.S. State Department and the British Foreign Office decided to make an appeal to Nordic solidarity and see if Norwegian Foreign Minister Halvard Lange, during a visit to Iceland, would be willing to try to influence Icelandic decision makers (FO-371/86501, 1950e). Initially, the State Department decided to remain in the background and only approach Lange in case the British felt it necessary. The purpose was to prevent the Icelanders from getting the impression that Lange was simply serving U.S. and British interests (FO-371/86501, 1950e). In his conversation with the British ambassador in Oslo Lange promised to do his best and understood the importance of framing his concerns as genuine Norwegian defence concerns (FO-371/86501, 1950a).

In late August Benediktsson and Lange met at a reception held by the Norwegian Embassy in Reykjavik (INA, 1950). As promised, Lange made it clear to Benediktsson that it was unacceptable that the airports in Keflavik and Reykjavik were without any defences. Nordic cooperation, Lange continued, was worth little if the Nordic countries did not realise that they belonged to a group of free nations. Therefore, Icelanders should take the initiative and organize a defence force to defend its airports. Such a move would be beneficial to Iceland and increase the sense of security among Iceland's neighbours. If the creation of such an Icelandic defence force was unfeasible for the Icelandic government then other measures would have to be taken Benediktsson replied that the Icelandic government had already decided to act on the matter and was exploring a number of alternatives.

Following his return to Norway, Lange informed the British ambassador on his conversation with Foreign Minister Benediktsson (FO-371/86501, 1950b). Although vague, Benediktsson's reply was not intended to brush Lange off. The day they met the government had deliberated about how to respond to Iceland's lack of military capabilities in the light of recent world developments. It seemed that the choice stood between formation of an Icelandic defence force, the reintroduction of foreign troops in Iceland, or some combination of both (Ingimundarson, 1996, p. 205). Cabinet was unable to reach a conclusion but it decided that Benediktsson should use an upcoming NAC meeting in New York to question what precautions

would be necessary in Iceland. In preparation for the Foreign Ministers visit to New York a NATO Standing Group delivered a memo to the Icelandic embassy in Washington D.C. outlining the vulnerability of Icelandic airports and seeking response from Iceland decision makers to how the security of these facilities could be guaranteed.

On 19 September 1950, Benediktsson and his aides meet with the NATO Standing Group in Washington D.C. Representing the NATO Standing Group were its chairman Lt. General Paul Ely, General Sir Neil Ritchie, and General Omar Bradley. The meeting focused on what possible Soviet threats Icelanders could be faced with and how the United States on behalf of NATO could respond to those threats.

Chairman Ely began by stating Iceland's importance for the western powers as the centre for domination of the sea lines of communication through the Atlantic Ocean connecting Europe and North America. Iceland's geographical location, straddling the sea zone between Greenland, Norway and the U.K., created a land barrier that prevented free movement of Soviet naval forces from their northern bases into the Atlantic. Consequently, if war broke out the Soviet Union would most likely try to occupy Iceland through an attack in the early stages of hostilities that would involve external attack and actions by Icelandic communists to undermine the government (BB, 1950). Excluding invasion, the Soviets would use air raids, naval blockade, sabotage or raids by special forces to prevent the allies from using Iceland.

Following the Chairman's opening statement, it was time for the Icelanders to speak. Benediktsson reiterated the understanding of his government when it decided to join NATO that Iceland could be defended without foreign troops or bases on its soil (BB, 1950). Relations between east and west had taken a turn for the worse but Icelanders lacked understanding of military matters and their fundamental concern remained that stationing foreign troops in their country would lead to gradual loss of Icelandic sovereignty.

After both sides had framed their opening positions discussion turned to short- and long-term plans already approved by the Standing Group for troop movement to Iceland in case of war. The plans envisioned between 3,500-10,000 troops deployed to Iceland after hostilities had broken out. Chairman Ely pointed out that these were wartime plans while Iceland's peace time requirements were a total of 1,200 men consisting of a security battalion of ground troops accompanied by one squadron of fighter planes plus certain elements of air warning and anti-aircraft guns. Benediktsson and his aides made it clear that his government would only reverse its previous position and allow foreign troops in Iceland because it believed that they were needed to ensure the security of Iceland. Therefore, it would be a decision by government of Iceland to decide whether the danger had receded enough for them to leave.

As during the negotiations that led to the 1941 Defence Agreement the topic of who would pay for the defence force was bound to crop up. Benediktsson rightly pointed out that Icelandic participation in such a defence force would be a disproportionate burden for the small nation. After all, the capital Reykjavík was a city of 55,000 people with only 110 police officers in total. Chairman Ely clarified the issue and said that the term “Icelandic participation” referred to the simple fact that all alliance members were expected to participate in their own defence. Benediktsson argued that in light of Iceland’s precarious financial situation and limited resources this was one of the most important question which both parties must understand to the fullest (BB, 1950). Besides, it was not Iceland itself that other countries were interested in but rather its strategic value. Chairman Ely responded that the role of this Standing Group was to evaluate the military aspects of troop deployment to Iceland but he was confident that the costs would not be borne by Iceland.

A month later the NATO Planning Board for Ocean Shipping formally recommended that negotiations should begin between the Icelandic and United States government regarding the defence of Iceland. However, neither government took the initiative to begin negotiations. In early January 1951 the Icelandic government received a formal communication from the NATO Standing Group with detailed assessment of a required peace time defence force for Iceland which had risen to 2,600-3,300 troops (Thorsteinsson, 1992b, p. 366). On 14 January the government of Iceland opened up negotiations with the United States with a formal response to the Standing Group.

The first meeting took place in Reykjavik in mid-February and by early March the two sides had almost reached an agreement on the stationing of 3,900 U.S. military personnel in Iceland on behalf of NATO. The issues that remained to be ironed out were aspects relating to civil aviation and the duration of the agreement (U.S. Department of State, 1985). In late March Benediktsson attended a meeting of Nordic Foreign Ministers in Oslo and used the opportunity to brief Foreign Minister Lange on the state of affairs (Thorsteinsson, 1992b, p. 370). Lange began by thanking Benediktsson for keeping the Norwegian ambassador in Reykjavik informed about the defence negotiations after which Benediktsson began to sketch out the remaining point of contention, i.e. the duration of the agreement. The U.S. preference was that the agreement should be valid for either 20 years or the duration of the North Atlantic Treaty itself. However, to the Icelandic government an agreement that could not be terminated unilaterally by either party was unacceptable. Lange lent support to the Icelandic position and promised to support Iceland if the matter would be brought in the NAC.

The negotiations continued after Benediktsson returned to Iceland and the U.S. side eventually swung to the Icelandic position. Shortly afterwards the content of the negotiated defence agreement was introduced in Parliament to the parliamentary groups of all political parties apart from the Socialists. On 5 May the agreement

was signed by Benediktsson and the U.S. ambassador to Iceland. The 1951 Defence Agreement incorporated the previous Keflavík Agreement and stipulated that on behalf of NATO the United States would provide Iceland with a defence force at no cost to the Icelandic government and the agreement could be terminated unilaterally by either party. Two days after its signing the first U.S. troops arrived at Keflavík airport.

The defence agreement (U.S. Department of State, 1951) gave the U.S. military an important foothold in Iceland and a valuable base in the North Atlantic. While this goal had been actively pursued by the U.S. since 1946 the agreement also benefited Iceland. Icelandic decision-makers were apprehensive about Iceland's vulnerabilities and did actively seek military protection. While the defence agreement allocated land and facilities to the U.S. military it also gave the government of Iceland an important leverage. Article III of the agreement stated that both governments had to agree to how the U.S. military utilized its facilities in Iceland and article IV stated that the government of Iceland had the authority to decide the total number of military personnel stationed in Iceland. The biggest headache during the negotiation process had been the terms of termination. According to Article VI either party could request the NAC to review the need for military facilities in Iceland and make subsequent recommendations whether to continue the defence agreement or not. Following NAC assessment either country could after six months' time abrogate the agreement which would render it invalid after a further period of twelve months.

3.3. The relationship as a source of financial assistance

By anchoring Iceland in NATO and by negotiating a bilateral defence agreement with the U.S. Icelandic decision makers had secured a credible deterrence against possible Soviet aggression. However, in 1953 The Korean War came to an end with the signing of an armistice and the scare of Soviet expansion into Europe receded. As relations between East and West seemed to be normalizing the issue of foreign troops stationed in Iceland crept into the agenda of the democratic political parties⁴ in Parliament. In particular the Progressive Party and the Social Democratic Party.

Opposition among the Progressives and Social Democrats originated in the Icelandic precondition in 1949 when joining NATO that foreign troops should not be stationed in Iceland during peacetime. But the opposition also had a tactical element more to do with electoral manoeuvring than matters of defence.

⁴ The socialist People's Alliance, formerly the Socialist Party and before that the Communist Party of Iceland, was ferociously against Icelandic membership in NATO and the defence agreement since many of its members were ardent communists.

Since 1950 the government had consisted of a two-party coalition of the Independence Party and the Progressive Party. Following national elections in 1953 the parties renewed their coalition but became increasingly strained in the next two years. As the 1956 elections drew closer the Social Democratic and Progressive Party leadership formed an election alliance (Þórarinnsson, 1986, pp. 263-264) intending to form a coalition government after the election. On 28 March 1956 the Social Democratic Party and the Progressive Party introduced in Parliament a resolution calling for revision of the defence agreement. The resolution was passed with the support of members of all parties in Parliament except the Independence Party. On 22 June the NAC received a formal request from the Icelandic government to review continued necessity for defence forces in Iceland.

On 24 July 1956 the Progressive Party and the Social Democratic Party formed a coalition government with the pro-Soviet People's Alliance. In matters of foreign policy the leaders of the three parties agreed to revise the defence agreement with the intention of removing U.S. forces from Iceland while domestically the coalition set itself a goal of increasing investment in industry and agriculture and to construct a new hydropower plant in the south of Iceland (Jónsson, 1969, p. 770).

The formation of a coalition government in Iceland with a pro-Soviet party on board sent shock waves through other NATO members. This was a particular concern since unlike other NATO members Icelandic trade with the Soviet Union had steadily increased throughout the early 1950s. Raising fears in capitals in Europe and North America that Iceland was drifting into a Soviet sphere of influence. Ironically, a 1953 trade agreement between Iceland and the Soviet Union had been triggered by a landing ban on Icelandic fish products in the U.K. instigated by trawler owners in Hull and Grimsby as a response to a decision by the government of Iceland to extend Iceland's territorial sea from three to six miles.

Gaining the attention of the Soviet leadership had not been hard since it had already decided to renew trade with Iceland after a few years' lull. However, the Soviet leadership had decided that the renewed trade relationship should be used strategically to support the Icelandic Socialists and influence political developments in Iceland (Ólafsson, 1999, pp. 164-165). Following the signing of the 1953 trade agreement 13% of Icelandic exports found its way to the Soviet Union and would remain at 17% throughout the 1950s, a much higher percentage than in any other NATO country (Jónsson, 2004, p. 75).

The U.S. government responded to Socialist infiltration of the government by requesting NATO headquarters in Paris to cease forwarding confidential documents to Iceland out of concern they might end up in the hands of Socialist government ministers (Ingimundarson, 1999, pp. 91-92). The ban only lasted few months as in September 1953 the Icelandic Prime Minister Hermann Jónasson threatened the British ambassador in Reykjavik that Iceland would leave NATO if transfer of confidential documents was not resumed.

Roughly a month after receiving the formal request to review the necessity of the defence agreement the NAC handed its recommendations to the Icelandic and U.S. government on 26 July. In short, the assessment asserted that Iceland remained an important link in safeguarding the air and sea communications between North America and Europe and a key point in providing defences for supply convoys crossing the Atlantic and aircrafts making the crossing from America to Europe. The NAC assessment concluded that if the defence agreement would be terminated then:

...it would be possible for an aggressor to seize control of Iceland with very small forces, either airborne or of the seaborne commando type, before effective assistance could be rendered. [...] It should be borne in mind that an aggressor planning to attack the Alliance would in such conditions be strongly tempted, as a preliminary for such an attack, to seize an unprotected Iceland because of its geographical position. Action necessary to evict the invader would in all probability involve great destruction and loss of life (U.S. Department of State, 1956, p. 307).

Furthermore:

It is the tangible and visible evidence of forces and installations in being, in place and ready, which constitutes an effective deterrent against aggression. An effective deterrent is our greatest safeguard against the outbreak of war. The North Atlantic Council, having carefully reviewed the political and military situation, find a continuing need for the stationing of forces in Iceland and for the maintenance of the facilities in a state of readiness (U.S. Department of State, 1956, p. 308).

Following the circulation of the assessment among other alliance members the Icelandic ambassador to NATO, Haraldur Kroyer, requested the NAC to withhold its public release until the Icelandic government had been given time to study it in detail. The request irritated the U.S. ambassador, George Walbridge Perkins, on the ground that Iceland had already gone ahead prior to the release of assessment and issued a press statement explaining its rationale in revising the defence agreement. The issue came to blows during a NAC meeting on 31 July. The U.S., backed by U.K., France, Belgium and Canada, argued that the Icelandic press statement made no reference to the fact that the Council was discussing its recommendation on needed revision of the defence agreement. Therefore, the Council would be put in an embarrassing position by complying with the Icelandic demand (FO-371/124888, 1956e). Supported by Denmark and Norway Kroyer maintained that the press release had merely been a general statement of policy and warned that immediate publication could poison the atmosphere between Iceland and other NATO members. The eventual decision was that, regardless of Icelandic wishes, the

Council would release the text of its recommendation to the public on 3 August 1956.

The press release that caused irritation among other alliance members had been circulated by the Ministry for Foreign Affairs to the press and embassies in Reykjavík on 30 July. The statement explained the government policy towards the defence agreement and asserted that this was not a new policy but a reversion to Iceland's original policy of 1949 that no foreign troops should be stationed in Iceland during peacetime. Therefore, all U.S. military forces should be withdrawn and the Icelandic authorities should take over protection and maintenance of defence facilities that would be kept in a condition of readiness if needed. The statement concluded that:

The objective of the government in revising the Agreement is therefore by no means to alienate itself from NATO but, on the contrary, to preserve its participation in the Organization and to keep the defence installations intact, without however, stationing foreign forces in the country (FO-371/124888, 1956b).

The government policy of abrogating the defence agreement was rattling nerves of the leaders of fellow Nordic NATO members. In late July Iceland's Foreign Minister, Guðmundur Í. Guðmundsson, paid a private visit to Norway to discuss the base issue with Norwegian Foreign Minister, Halvard Lange.

A Social Democrat, Guðmundsson, was both a supporter of Iceland's membership in NATO and privately backed continued U.S. military presence in Iceland. During their four-hour long talk (FO-371/124888, 1956a) Guðmundsson outlined his preferred course of action. Following the revision of the agreement Icelanders would take over much of the work carried out by the Americans at the base. Within the government he would advocate continuation of U.S. reconnaissance flights out of Keflavík airport as they were important for the security of Iceland. A squadron of fighter planes would possibly be allowed to continue to operate at the base although getting his fellow socialist coalition partner to agree to that would certainly be more difficult. Since the plan called for removal of U.S. troops to guard Keflavík base facilities Guðmundsson hoped that the U.S. government would find it technically feasible to station some form of a defence force in Greenland that could respond to any threats to Keflavík base.

However, leaving Keflavík base in civilian hands was completely unacceptable to the U.S. government. The U.S. ambassador to Norway made this point to the Norwegians government with the hope that they would convey the information to the Icelanders (Berdal, 1997, p. 144), while the U.S. ambassador in Denmark was advising the Danish Prime Minister, H. C. Hansen, that "Danish and other Scandinavian influence should be brought to bear as fully as possible on Icelandic official and public opinion, in the direction of sanity" (FO-371/124888, 1956d). Hansen, not downplaying the gravity of the situation, chose to emphasise that there

were many NATO supporters in the new Icelandic government, not least the new Foreign Minister.

The first preparatory talk between the Icelandic government and the U.S. government for revision of the defence agreement took place in early October 1956 at the State Department in Washington D.C. (INA, 1956a). The revocation of the agreement had been coaxed in terms of freeing Iceland from hosting foreign troops but during the meeting Icelandic negotiators drew clear lines between economic assistance and the retention of the defence agreement. Present at the first meeting, were Secretary of State John Foster Dulles, Undersecretary Herbert Hoover Jr., and Assistant Secretary of Defence Gordon Gray. Representing the government of Iceland was acting Foreign Minister Emil Jónsson, in the absence of Foreign Minister Guðmundsson, Ambassador Thor Thors, and Vilhjálmur Þór Þórarinnsson on behalf of the Progressive Party.

Secretary Dulles opened the talks by emphasising that the United States and Iceland had through NATO membership, taken on certain obligations. This said, however, revisions in light of changed circumstances were of course understandable. Dulles stated that the United States would happily remove their troops from Iceland if the NAC came to the conclusion that they were no longer needed. He understood that foreign military forces, although in slight numbers, might cause difficulties for a small nation. But Iceland could not escape its military importance arising from its geographic position. Acting Foreign Minister Jónsson thanked Secretary Dulles for his opening words before outlining the policy of his government which remained that during peace time no foreign troops should be stationed in Iceland. After framing the Icelandic position Jónsson advised that a possible way forward would be to give Þórarinnsson a change to discuss Iceland's economic problems before resuming talks on the future of the defence agreement. A decision was made to make room for Þórarinnsson to meet with representatives from the State Department, the U.S. Treasury and the U.S. foreign assistance program International Cooperation Administration before resuming negotiations. The meetings with Þórarinnsson revealed to U.S. officials that the Icelandic government was going to make survival of the defence agreement dependant on financial aid. On behalf of the Icelandic government Þórarinnsson requested large loans to be used for the construction of the River Sog hydropower project (Ingimundarson, 1996, p. 328) and favourable loans to fund imports to Iceland.

When formal discussions resumed Undersecretary Herbert Hoover Jr. – substituting Secretary Dulles – was able to inform Jónsson that the United States government would carefully study Iceland's economic and financial problems as outlined by Þórarinnsson and that the U.S. was willing to lend Iceland up to \$5 million to complete the Sog hydropower plant. However, the loan was to be granted on the condition that electricity generated by the plant would be sold to the defence force at Keflavík base. Additionally, the U.S. government was considering lending

Iceland funds through a so-called PL-480 program to finance Icelandic import needs. Jónsson thanked Hoover for his statement and commented that he believed the main goals of his visit had been achieved (INA, 1956b). The two sides then decided that negotiations regarding the future of the defence force should take place the following November in Reykjavík.

It was not only the promise of financial assistance and favourable loans that ensured the eventual retention of the defence agreement. Increased tension in the international security environment also had a role to play. A few weeks before negotiations were set to take place Israel invaded Egypt, sparking the Suez Crisis, while in Eastern Europe a revolt in Hungary was brutally crushed by the Soviet military. Unfolding of these events set the atmosphere for the negotiations in Reykjavík. On 24 November both sides agreed to suspend further talks on the removal of the defence force and issued a joint press statement that read:

...recent developments in world affairs and the continuing threat to the security of Iceland and the North Atlantic community call for the presence of defense forces in Iceland under the United States-Iceland Defense Agreement of May 5, 1951, and therefore that the discussions requested by the Government of Iceland concerning the revision of the agreement and the withdrawal of the defense force should be discontinued (U.S. Department of State, 1957c).

However, an added novelty emerged from the session which was the establishment of a joint U.S. Icelandic Defence Group as a consultation forum in matters relating to the defence force and intended to promote increased participation by Icelandic nationals in tasks performed by the Defence Force (U.S. Department of State, 1957a, p. 100). The utility of the Defence Group proved to be short and uneventful as it convened only once during its lifetime and abolished in 1958 after a change of government (Thorsteinsson, 1992a, p. 576).

The United States government would grant Iceland three separate loans, totalling nearly \$12 million. The first loan agreement, intended to finance essential general imports into Iceland, amounting to \$4 million, was signed on 28 December 1956, arranged through the International Cooperation Administration. \$600,000 while the outstanding \$3.4 million were drawn from the Special Presidential Fund, which the President had been authorised by Congress to use at his will to serve the security needs of the United States (U.S. Department of State, 1957d, p. 100). On the basis of the PL-480 Programme, the U.S. government entered into an Agricultural Surplus Commodity Agreement with Iceland on 11 April 1957, thus financing Icelandic purchase of U.S. agricultural products worth \$2,785,000 (U.S. Department of State, 1957b, p. 709). The final instalment of the promised loans was finalised on 10 May 1957, worth \$5 million, earmarked for the construction of Sog hydropower station (INA, 1957, p. 7).

While the wish to remove foreign troops from Iceland may have stemmed from national or pacifist origins and a belief that the world was in fact more peaceful than in 1951 it soon became apparent that the negotiations were to be used as a bargaining chip to secure favourable loans. The link between financial benefits and continued U.S. military presence in Iceland was acknowledged by the foreign diplomatic community in Reykjavík and spelled out in a report by the British ambassador Andrew Gilchrist to the British Foreign Office,

...one can perhaps sum up the prospects of retaining an effective base at Keflavik as a compound of three factors, the future course of international tension, the extent to which the Americans are willing to underwrite a policy of economic aid, and the skill with which they carry out that policy. In other words, if the Icelanders remain afraid of Russia and if the Americans make their presence unobtrusively an essential part of the Icelandic economy, the inevitable friction over the stationing of United States troops in Iceland is unlikely during the next few years to reach a point at which the troops will be asked to leave (FO-371/124888, 1956c).

A U.S. Security Council report written in the following month of May took stock of the preceding events and laid out future U.S. objectives in Iceland. The report began by asserting Icelandic importance for U.S. national security:

Iceland now provides the United States and NATO with (a) a key link in the Early Warning System for the defense of the United States and other NATO countries; (b) an important base for anti-submarine operations; (c) forward logistics support for Striking Fleet operations; (d) a significant air base for NATO requirements and (e) a key communication link between the United States, the United Kingdom and other NATO countries. Denial of these advantages to the United States and NATO would result in a grave weakening of the North Atlantic defense system, and the loss of Iceland to Soviet control would directly threaten the security of the United States (U.S. Department of State, 1992, pp. 499-500).

In light of Iceland's importance, the most vital goal for the United States government was to maintain U.S. forces in Iceland, and reduce the economic and political influence of the Soviet Union in Iceland. An appropriate application of economic and political pressures would therefore be needed by U.S. authorities, in order to rid the government of communists as well as preventing Iceland from becoming too dependent on Soviet bloc markets (U.S. Department of State, 1992, pp. 503-504). To that end, economic assistance and loans for specific projects in Iceland were needed to further U.S. interests.

3.4. The relationship as a leverage in gaining foreign policy objectives

The defence relationship proved successful for the government of Iceland in gaining economic assistance from the United States but it was also critical for Iceland to unilaterally extend its EEZ to 12 nautical miles in 1961, 50 nautical miles in 1973 and in 1976 to its current 200 nautical miles. The extension was a major Icelandic foreign policy goal and the defence relationship with the United States and Iceland's membership in NATO played a crucial role in achieving that. The following discussion outlines the connection between successful unilateral extensions of Iceland's EEZ and Iceland's defence relationship with the United States and membership in NATO.

3.4.1. The first Cod War 1958-1961

Attempting to terminate the defence agreement was not the only trouble that the centre-left government of 1956-1958 was poised to stir up in NATO. It also had on its agenda the extension of Iceland's territorial sea to 12 nautical miles giving Icelanders the exclusive right to fish within that limit. The decision to go ahead with the extension would affect other nations as the rich Icelandic fishing grounds were trawled by fellow NATO members such as the U.K., West Germany, Belgium and Norway.

But extension would be complicated by the way the governmental parties favoured carrying it out. The preferred course for Progressives and Social Democrats was to avoid conflict with other nations and seek consultation and agreement within NATO (Hjálmarsson, 1985, p. 69). The People's Alliance, by contrast, wished to hurry extension as much as possible. Failing to secure support for a national 12-mile territorial sea at the United Nations Conference on the Law of the Sea (UNCLOS) in early 1958 spurred the government on. The only question at this point was not whether but when the Icelandic government would go ahead with unilateral extension.

During a NATO Ministerial Meeting in Copenhagen in May 1958 the imminent extension brought Iceland to blows with other allies. As the meeting was about to begin, Foreign Minister Guðmundsson and his staff learned that the British representatives had spoken with NATO Secretary General P.H. Spaak and requested him to speak with the Icelandic Foreign Minister and encourage him to consult with other NATO members before going ahead with the 12 nautical miles extension (GÍG, 1958b). Spaak informed Guðmundsson of the British approach and expressed his own concerns over a unilateral extension. Guðmundsson retorted that this was a pressing issue for his country and the latest decision within the Icelandic government had been to wait until after the conclusion of UNCLOS in Geneva. However, almost all other alliance nations had been against the Icelandic

position, therefore, consultation within NATO with those same nations would most likely be doomed from the beginning. Spaak implored Guðmundsson to allow for such talks at a NAC meeting in Paris within three weeks. Agreeing to such a meeting Guðmundsson also requested a special meeting to address Iceland's fisheries extension during the Copenhagen session.

At a NAC morning session prior to the one reserved for Icelandic fisheries extension British Foreign Secretary Lloyd rose up and requested to address the Council. Later in the afternoon, Lloyd declared, a special session would take place to discuss possible Icelandic actions regarding their territorial sea extension. Such unilateral actions could have serious consequences and colleagues in the NAC should voice their opposition and state their agreement with the British position. After Lloyd had finished the Foreign Ministers of Portugal, Belgium, Netherlands, Italy, Canada, West Germany and the United States, addressed the meeting and voiced their support for the British protest against the imminent Icelandic extension.

The Icelandic side regarded the British intervention as a sneak attack and countered that Iceland depended on its fisheries and it was common sense for Iceland to secure them for itself. The Icelandic government, Guðmundsson continued, had been working towards extension since a UN General Assembly in 1949. From a political perspective it was difficult for the government of Iceland to postpone extension any further and the decision to extend its territorial sea to 12 nautical miles was in line with the majority view at the UNCLOS Geneva Conference and had even been proposed by the U.S. and Canadian delegates early on in the conference. Guðmundsson acknowledged that citizens of other NATO countries had interests at stake and that many alliance members would prefer Iceland not to go through with unilateral extension, at least not without negotiations. But preserving the fisheries was a question of life and death for Icelanders. Therefore, to negotiate for anything less than 12 nautical miles was out of the question (GÍG, 1958b). Following Guðmundsson speech, Secretary General Spaak commented that obviously this was not a simple legal dispute but also an issue of political and economic importance. Iceland had already waited 10 years and it was no solution to them if other alliance members opposed demands considered just by Icelanders. Therefore, the issue had to be approached with understanding and attempts made to solve it (GÍG, 1958b).

The Council decided to cancel the scheduled afternoon session and instead Secretary General Spaak held a short meeting in his office with Foreign Minister Guðmundsson and Foreign Secretary Lloyd. Spaak agreed with the Icelanders that they had two powerful arguments to back their claim: (1) ten years of working towards an extension, (2) and the importance of fisheries to their livelihood. The three agreed that a possible way forward would have to be discussed in NATO headquarters. Two NATO officials, under the authority of Deputy Secretary General Baron Adolph Bentincks, were tasked to work on proposals alongside an

Icelandic official (GÍG, 1958b). On Iceland's behalf, Guðmundsson nominated Permanent Secretary of the Foreign Ministry Henrik Sveinsson Björnsson, as he had been present at the Copenhagen meeting and was well informed about what had taken place.

For the next few days in NATO headquarters in Paris, Björnsson and NATO officials tried to find a compromise palatable to both Icelanders and other NATO members (GÍG, 1958a). In the course of their work, the idea surfaced that possibly the Icelandic government would be willing to allow foreign trawlers to fish within the 12 nautical miles for a limited number of years and in return other alliance members would recognise the new territorial sea limit. Björnsson presented the idea to Secretary General Spaak and the both agreed that recognition in exchange for limited fishing rights was the best course of action and would most likely be accepted by the other states (GÍG, 1958a, p. 22). What followed was a frantic exchange of telegrams between Björnsson in Paris and Guðmundsson in Reykjavík. However, the coalition government was starting to fray at the seams with the militant People's Alliance firmly against granting temporary fishing rights in exchange for recognition while the pro-NATO Social Democrats and Progressives supported the compromise.

Finally, on 19 May Björnsson received a telegram from Foreign Minister Guðmundsson informing him that the government of Iceland had decided to issue a directive on 23 May, claiming the extension of Icelandic territorial sea to 12 nautical miles. The directive would be effective from 1 September 1958. However, if other NATO member states consented to the directive before noon on 22 May, they would be allowed to fish between 6 and 12 nautical miles for the following three years (GÍG, 1958c, p. 40).

On the morning of 20 May Björnsson delivered his Minister's response to Secretary General Spaak who immediately called a NAC meeting. Björnsson began the meeting by recapping Foreign Minister Guðmundsson arguments during the Copenhagen Council meeting while a statement from the Icelandic government on the imminent extension was circulated in the Council. Following Björnsson's statement the Secretary General addressed the Council and while underlining the seriousness of the issue he did not believe that a solution could be reached in two days. The Secretary General thanked the Icelandic government for consulting with fellow member states within NATO although he did not think the Icelandic proposal was acceptable in its present form but hoped for counter-proposals from other alliance members during the meeting (GÍG, 1958a, pp. 24-25). The British ambassador was the next to speak. The United Kingdom could not agree to a unilateral extension of Iceland's territorial sea and it was disturbing to see the Council faced with an ultimatum on the issue. The British stance was supported by West Germany, Belgium, Netherlands, Portugal, Italy and Greece. The only NATO member to throw its weight behind Iceland was Turkey which agreed that this was a question of life and death for the Icelandic nation and therefore justifiable

not to wait for another conference. To break the deadlock the Danish ambassador proposed a special conference tasked with solving the dispute and to address the territorial sea extension of the Danish controlled Faroese Islands.

Next to speak was the U.S. ambassador. After stating his grave concerns about Iceland's unilateral decision, he suggested a compromise that followed closely the Icelandic proposal. Iceland's 12 nautical miles limit would be recognised but nations with historical fishing rights would be allowed to fish within a 6-12 nautical mile belt subject to maximum catch limitations. This compromise solution would later be followed by a special conference in line with the Danish proposal. The British ambassador welcomed the Danish and U.S. proposals and encouraged Iceland to participate in such a conference. At this point, the Secretary General commented that it had become clear that the Icelandic proposals was not acceptable to other alliance members and that counter-proposals presented by the United States and Denmark might be combined into one. He himself would like to add the third proposal (GÍG, 1958a, p. 26): a conference restricted to NATO members and limited to two months that would try to solve the dispute. If no solution could be found each country would be free to resort to whatever measure it believed necessary.

Later that evening, Spaak sent a telegram to the Icelandic Prime Minister Herman Jónasson. Although other alliance members were against unilateral extension on a juridical basis the Secretary General believed that they would be willing to negotiate on a common juridical position that would also meet the basic legitimate concerns of the Icelandic government. Continuing, Spaak stated that such a conference within NATO would provide a much quicker and surer means than a large international conference. He concluded:

...serious consequences would follow refusal of the proposal made this morning and would affect the whole Alliance [stop] unfortunate affects for Iceland would thus probably be produced at the time when OEEC partners show willingness to open up markets for Icelandic fish [para] Permit me to appeal to your feelings of Atlantic solidarity and to ask you to allow this last attempt conciliation by agreeing to continue negotiations which I am convinced will result in a solution favourable in Iceland (GÍG, 1958d, p. 42).

In Reykjavík the coalition was on the verge of collapse over disagreement between the Social Democrats on one hand and the Socialists on the other hand (Jóhannesson, 2004, pp. 556-557). The People's Alliance, led by Minister for Fisheries Lúðvík Jósefsson, was adamantly against continuing negotiations within NATO thus opposing the Social Democrats led by Foreign Minister Guðmundur Í. Guðmundsson leaving the Progressives led by Prime Minister Herman Jónasson in the middle.

As the word got out that the government was on the brink of collapse Secretary General Spaak set to work on a declaration acknowledging the willingness of the alliance to solve the dispute. The declaration was very much intended for Icelandic domestic use as Spaak's intention was to aid the political parties in Iceland and especially the Social Democrats as they were committed to solving the fisheries dispute within NATO (FO-371/134965, 1958). Initially, Spaak's idea was for the NAC to issue a joint declaration that would include all members of the alliance but as the government of Iceland was expected to collapse that same day and to be governed by a care-taker government the Secretary General suggested that Iceland should be excluded. Thus, making it a joint declaration by the remaining fourteen NATO members, Spaak's eventual draft stated that,

Deeply conscious of the fundamental importance of the fishing industry for the Icelandic economy and anxious to assist their partner, <the fourteen nations> affirm their readiness to initiate negotiations without delay with Iceland on the following basis: (1) Iceland may exercise exclusive fishing rights within a six mile limit. (2) Iceland may similarly exercise exclusive fishing rights in a further zone of six miles over and beyond that mentioned above on the understanding that those nations whose vessels already fish within this area should continue to do so under conditions to be negotiated with the Icelandic Government (FO-371/134965, 1958).

The declaration gained the support of the British ambassador to NATO Sir Frank Roberts and his superiors at the Foreign Office but their political masters were not amused by their initiative. In London, Prime Minister Harold Macmillan furiously demanded to know what minister had authorised the Foreign Office to support this, since it conceded more or less everything to the Icelanders (Jóhannesson, 2003, p. 190). In Iceland the proposed declaration did not fare much better. On 24 May, the battered government had managed to pull itself from the brink of collapse and announced that a new regulation on a 12 nautical miles territorial sea would be issued on 30 June to take effect from 1 September. The interim period of two months would be used to muster international recognition and understanding for Iceland's right and need for extending its fisheries limit (Jóhannesson, 2004, p. 557). Tentative discussions continued throughout the summer within NATO but it was clear that neither side was willing to shift an inch – let alone budge a mile. Other NATO members, especially the U.K. and West Germany, were fixedly against a 12 nautical miles fisheries limit (Ólafsson, 1999, pp. 269-275) while the Icelanders refused to recant their earlier decision.

As September drew closer with no solution in sight, the imminent clash between two NATO members and possible damage to the alliance was causing concerns within the British government. As there seemed to be no solution in sight, the most pessimistic appraisal suggested that Iceland might actually be pushed out of NATO

(CAB/129/94, 1958). Already in mid-May, the British had weighed up the possible options for protecting their fleet of up to 130 deep-sea trawlers from harassment or arrest by the Icelandic Coast Guard. The most viable course of action, according to the Admiralty, would be:

Physical obstruction by a Task Unit of the Icelandic gunboats when attempting to effect arrest in the disputed waters. The presence of one of H.M. ships might deter the gunboat without having to resort to physical obstruction. It must be recognised, however, that in an extreme case this policy might result in the sinking of an Icelandic gunboat (CAB/129/93, 1958).

Ever since the Copenhagen meeting in early May the British delegation at NATO had found itself under increasing pressure from other alliance members as well as Secretary General Spaak himself. During a NAC meeting on 23 May Spaak scolded the British for being unnecessarily legalistic in their approach, since keeping Iceland in the alliance was the most essential objective for NATO and the Secretary General (FO-371/134965, 1958). Other NATO members shared Spaak's concern for the fallout and Sir Frank Roberts found himself being grilled by other ambassadors as to whether,

...the United Kingdom of all countries are indifferent to the dangers of throwing Iceland out of N.A.T.O and into the Soviet embrace, thus destroying at a moment when we are weakening our own naval contribution to the floating barrier the only land barrier to Soviet submarines entering the Atlantic (FO-371/134964, 1958).

On the first of September, as foreign trawlers sailed out of the 12 nautical miles zone, British warships entered in order to protect the remaining British trawlers. Until March 1960 British trawlers continued to fish within designated British fishing havens, under protection by the Royal Navy, while Icelandic Coast Guard vessels (ICGV) attempted to apprehend them. On some occasions these confrontations became violent when trawlers rammed the ICGV (Gudmundsson, 2006, pp. 100-101). The British resorted to their preferred tactic of using their frigates to form a barrier between British trawlers and the ICGV. Luckily, such confrontations did not result in a shooting match or the sinking of any vessel.

The position of the U.S. government in the build-up to these events was one of caution. After the compromise proposed by the U.S. ambassador during the 20 May NAC meeting failed the Eisenhower administration made efforts to prevent physical clashes between the British Fisheries Patrol and the ICGV (FO-371/134984, 1958) by encouraging the British government to refrain from protecting British trawlers caught within the old territorial sea zone of 6 nautical miles around Iceland while simultaneously encouraging the Icelandic government

not to arrest trawlers beyond a 4 nautical miles, limit, leaving a zone of 2 nautical miles as no man's land.

The Eisenhower administration was painfully aware that Keflavík base might be put at risk if the dispute would get out of hand. Those concerns were not lost on British decision-makers as Prime Minister Macmillan noted in his diary on 20 May 1958:

The Icelanders look like declaring the 12 mile limit unilaterally. If they try to arrest our trawlers, we shall have to take action to protect them. This will lead to trouble with Canada (who want to do the same thing) and with U.S.A., who are afraid that Iceland (which is very communist minded) will go out of NATO and the Americans may lose their base (Macmillan & Catterall, 2011, p. 118)

Keen to exploit those fears the Icelandic government was quick to link the fisheries dispute together with Keflavík base. In an article published on 21 May 1958, in *Tíminn*, a daily newspaper strongly affiliated with the Progressive Party, the question was asked whether British ship-owners had considered that in carrying out their duty the Icelandic Coast Guard had every right to demand assistance from the U.S. defence force and the Icelandic government could request every means available to the alliance to thwart aggression against Iceland. If not, the usefulness of the Atlantic Treaty would be called into doubt, thus opening up the question of whether Iceland should seek allies outside the Atlantic alliance (“Reynir nú á fyrsta skipti á það hvert hagræði Íslendingum er að því að að vera í Atlantshafsbandalaginu,” 1958). Coincidentally, the initials of the unknown author (HJ) were the same as those of the Progressive Party Prime Minister, Hermann Jónasson.

Foregoing subtleties, Prime Minister Jónasson decided to turn directly to the U.S. ambassador in Reykjavík, John J. Muccio. In a letter to the ambassador, Jónasson warned that public hostility towards the British might force the government to break off diplomatic relations and even to leave the alliance. Most Icelanders, he argued, thought it contradictory to belong to an alliance whose purpose was to ensure peace, democracy, and justice, while another alliance member used force against them (INA, 1958b). In his reply, Muccio remarked that his government was very concerned about the dispute and reminded the Prime Minister that the U.S. had before 1 September encouraged both sides to show modesty and constraint:

...disputes from time to time arise between nations which are members of NATO, as they do within families in spite of their joint membership. In cases of this kind the facilities available within NATO often provide the opportunities to work out disputes. We hope that this may be possible in the present case and strongly urge that your Government give this possibility its earnest considerations and encourage the organization to take

further positive action to assist in reaching a solution of Iceland's present problem (INA, 1958a).

The Eisenhower administration was not going to be goaded into taking an active role on the Icelandic side but preferred to encourage the Icelandic government to use the alliance as a forum for solution. In reality, Jónasson's sabre-rattling was merely that. There was no willingness among the government parties to leave NATO – except the People's Alliance. The matter was not even brought up at Cabinet meetings (Guðmundsson, 1999, p. 77) during clashes between ICGV and British warships in the sea around Iceland.

In early December 1958, the Icelandic government collapsed and was replaced with a minority government of Social Democrats, supported by the Independence Party. In October 1959 the Social Democrats and the Independence Party formed a government under the leadership of the Independence Party leader, Ólafur Thors. Guðmundur Í. Guðmundsson retained his post as Foreign Minister and continued to seek an agreement with the British government. The coalition would survive for three terms or until elections in 1971.

NATO's active involvement in the dispute more or less ended in the autumn of 1958. In January 1960, Secretary General Spaak and Norwegian Foreign Minister, Halvard Lange agreed to mediate a temporary agreement between Iceland and Britain, valid until after the second UNCLOS, to be held later that year. Although talks took off to a promising start it became apparent that no *modus vivendi* was to be reached and the discussions died down (D. Ólafsson, 1999, pp. 376-381). The final agreement was eventually wrangled out between Foreign Minister Guðmundsson and Foreign Secretary Lord Douglas-Home after a NATO meeting in December 1960. From Douglas-Home's memoirs:

Luckily the Icelandic Foreign Minister and I found ourselves together late one evening, following a session of the NATO Council. The building was locked up and everyone had apparently gone home, but we found an upper room with a bare wooden trestle table on which we sat and agreed that the quarrel must stop. We each undertook to see to it that it did. Negotiations followed and although there were some ticklish moments, the Foreign Minister, Mr. Gudmundsson, was as good as his word and all was quiet for another ten years (Home, 1978, p. 171).

The dispute was settled with a formal agreement in March 1961, whereby Britain acknowledged Iceland's 12 nautical miles territorial sea. British trawlers were given a phasing-out period of three years. It was further negotiated that any future extensions by Iceland would have to be announced six months in advance. If disagreement should arise over an extension, then either state could refer the dispute to the International Court of Justice (ICJ) (Thorsteinsson, 1992a, pp. 630-631).

The final settlement did not differ much from the solution Spaak had suggested in May 1958. Which in Spaak's own words showed "...the healing effects of time, which enable people to accept proposals they have fiercely opposed in the past" (Spaak & Fox, 1971, p. 280). Shortly after, Iceland negotiated a similar agreement with the Federal Republic of Germany as it also had a claim to historic fishing rights in the sea around Iceland.

3.4.2. The Second Cod War 1972-1973

As Lord Home commented in his memoirs all was quiet for the next ten years. Following the 1971 Parliamentary elections in Iceland a coalition government emerged headed by the Progressive Party and included the People's Alliance as well as a newly-formed splinter group, the Union of Liberal and Leftists. Apparently, the government of 1971 seemed intent on mimicking the foreign policy objectives of its 1956 predecessor (Rastick & Ísleifsson, 2004, p. 324). Regarding Iceland's EEZ the government decided to extend it to 50 nautical miles although the territorial sea limit would remain at 12 nautical miles. As might also be expected of a left-of centre government that included the People's Alliance the future of the defence force was yet again on the agenda as it announced that it wished to revise the defence agreement with the intention to close Keflavík base.

Shortly after gaining power the government moved ahead with its extension plans and announced on 31 August 1971 that a new 50 nautical miles EEZ extension would take effect in one year's time. That is from 1 September 1972. Low key discussions followed between the Icelandic and British government but they proved unsuccessful. The Icelandic government was willing to allow foreign fishing within limited open areas, but not closer than 25 nautical miles to land. However, to the British side this was unacceptable as it would reduce up to 80% the total catch of British fishermen in Icelandic waters (Hart, 1976, p. 22).

Losing its patience, the British government adhered to the 1961 agreement it had negotiated with Iceland and refereed the dispute to the ICJ. Thereby following the example of the West German government that had already done so. On 13 August 1972 the ICJ ruled that British fishermen were indeed entitled to an annual catch limit of 170,000 tons and West German fishermen 19,000 tons, although the court did not rule on the actual legality of the EEZ extension (Hart, 1976, pp. 26-27). The Icelandic government argued that the treaty of 1961 no longer applied and therefore the ICJ had no jurisdiction in the matter.

The Icelandic government ignored the ruling and decided to go ahead with unilateral extension. 1 September 1972 passed by and the captains of the ICGV began to apprehend foreign trawlers fishing within the new 50 nautical miles EEZ. The skippers of the British vessels tried to defend themselves by painting over the names of their ships and in some instances by attempting to ram the ICGV. The Coast Guard captains responded by using warp cutters to cut one or both of the

trawl warps from fishing trawlers., thus rendering them unable to fish and forcing them to return back home.

As autumn passed and winter set in British trawler skippers were increasingly demanding naval protection as the British government had done during the 1958-1961 Cod War. Instead the British government opted for deploying civilian tugs to serve as a barrier between the trawlers and ICGV, preventing the latter from successful warp cutting. By March 1973 it began deploying Nimrod Surveillance Aircraft to keep track of ICGV in the sea around Iceland.

By spring the frequency of warp cuttings had increased and the ICGV began to fire upon the British trawlers (Welch, 2006, pp. 109-112). Mostly blank warning shots but in some instances also live rounds. By mid-May 1973 British trawler captains threatened the government in London to leave Icelandic waters if they were not provided with naval escorts. The hand of the British government was forced since departure of the trawler captains from the Icelandic waters had been a de facto recognition of the 50 nautical miles EEZ. Therefore, the government approved naval protection for the trawlers and on 19 May 1973 a fleet of 30 trawlers was escorted within the 50 nautical miles limit by British frigates. The decision by the government to send the navy caused great anger in Iceland. Even the conservative, pro-NATO newspaper *Morgunblaðið* described the decision as:

...a direct military attack on Icelandic jurisdiction [...] and it is a grave misunderstanding by Mr Edward Heath and Sir Alec Douglas-Home to think that the Icelandic people will succumb to such blatant transgression and violence (“Stórveldið smáa,” 1973).

while the pro-Progressive Party daily, *Tíminn*, commented that:

...for a second time, the British have decided to use military force against Iceland [...] thinking that the agreement from 1961 gives them the right to do so against an unarmed small nation” (“33 togarar í einum hnapp undir herskipavernd,” 1973).

The pressure exerted by the British trawler captains at this particular moment may have been unfortunate since tentative negotiations were taking place although a settlement had not been reached. Both parties were moving closer to a compromise that would have allowed British trawlers to continue to fish within the 50 nautical miles zone with catch limitations (Hart, 1976, p. 38) But after the navy frigates entered the 50 nautical miles zone all such talks were broken off.

Initially the Icelandic government intended to protest against British naval presence within the 50 nautical miles EEZ both at the United Nations Security Council and within the NAC. Eventually the government decided not to bring the case before the Security Council (Jóhannesson, 2003, p. 94) as it feared the Council

would simply recommend Iceland to refer the issue back to the ICJ who's ruling the government had already ignored once.

10 days after the British frigates had arrived in Icelandic waters, Iceland's ambassador to NATO, Tómas Tómasson, addressed the issue at a NAC meeting on 29 May 1973. The ambassador condemned British military intervention within the Icelandic EEZ and stated that further negotiations would not take place until the British government had withdrawn its naval vessels outside the 50 nautical miles zone ("Luns sáttasemjari?"). Furthermore, Tómasson encouraged the NAC to intervene in order to prevent British naval vessels from shielding illegal fishing within Iceland's EEZ, thus directly involving the council and its Secretary General, Joseph Luns, in the dispute.

As the crisis escalated and tempers flared in late May 1973 President Richard Nixon and French President Georges Pompidou convened for a brief U.S.-French summit conference in Reykjavík. Iceland being selected as a convenient mid-point between France and North America. This was an opportunity for the Icelandic government to directly involve the U.S. government and link continued presence of U.S. troops in Iceland with U.S. support in getting the British out of the 50 nautical miles EEZ. On 31 May President Nixon made a courtesy call on Prime Minister Ólafur Jóhannesson to thank him for hosting the meeting with Pompidou. Nixon was accompanied by Secretary of State William P. Rogers and National Security advisor Henry Kissinger while Jóhannesson was flanked by Foreign Minister Einar Ágústsson and President Kristján Eldjárn. After a brief exchange of pleasantries Jóhannesson started to chastise Nixon for being too neutral in the Icelandic fisheries dispute while the U.S. defence force in Keflavík had done nothing to evict the British invading force out of Icelandic waters (INA, 1973c). Consequently, the U.S. government should expect this inactivity on its part to affect future retention of the base in Keflavík.

While unprepared for this barrage Nixon warned Jóhannesson against linking the fisheries dispute with any future defence agreement negotiations. Although the conflict worried him Nixon stated that the U.S. government could not be expected to take sides in a dispute between two nations friendly to the United States. However, it would negatively impact the alliance and Iceland if the Icelandic government was to adapt some form of isolationism by terminating the defence agreement or by leaving NATO. Secretary of State Rogers intervened and encouraged Jóhannesson to show caution and try to settle the dispute through negotiations with the British government (INA, 1973c). Although they had no objection to the NAC being used as a forum for informal discussions, Rogers warned against pressuring NATO into solving the dispute as that might undermine the cohesion of the alliance. In his memoirs Kissinger recalls his impression of that late-May meeting:

Whatever the merit of its legal position, the little country meant to enforce it by the threat of closing the NATO airbase on its soil and if necessary by war with Britain. [...] The Icelandic ministers were uttering dire threats of escalating military action while Nixon and Rogers implored them to withhold the final sanction. I sat there in wonderment. Here was an island with a population of 200,000 threatening to go to war with a world power of 50 million over codfish, and here was a superpower that considered it necessary (a) to express a view and (b) to restrain not the stronger but the weaker. Nixon and Rogers made soothing noises while the Icelandic ministers implacably insisted on what in any previous period would have seemed suicide (Kissinger, 1982, pp. 172-173).

Just as in the previous Cod War the U.S. administration was unwilling to take sides. But an explicit linkage had been made between the fisheries dispute and possible closure of an important NATO base, thus increasing the pressure for a settlement favourable to Iceland.

For more than two years, the government's stated policy of gradually closing the base had seemed little more than political rhetoric designed to appease the fervently anti-NATO People's Alliance. However, threatening to close the base at this particular juncture in time could prove to be a potent weapon.

The significance of the Keflavík base on NATO's Northern Flank had not gone unobserved by The Icelandic government. In late January 1973, Foreign Minister Einar Ágústsson had met with officials from the State Department as well as Department of Defence in Washington D.C. (INA, 1973e) to present at first-hand the base policy of the Icelandic government. During his stay Ágústsson was briefed on Soviet naval capabilities and the movements of the Soviet Northern fleet in the seas around Iceland. Ágústsson was handed a report entitled *Iceland Defence Force Analysis* that in brief assessed Soviet naval capabilities in the North Atlantic and what response might be expected from the United States and NATO in case the Soviet Union should occupy Iceland (INA, 1973a). According to the report, Soviet naval capabilities included a submarine fleet larger than that of the United States, Britain and France combined. The Keflavík base played a vital role in monitoring the activity of the Soviet Northern Fleet in the North Atlantic to which 70% of all Soviet nuclear submarines belonged. Although the base was home to only 3,400 military personnel, they represented a fraction of the Icelandic Defence Force since most of it consisted of reserve units in the United States that could be airlifted to Iceland at a short notice. Terminating the defence agreement and closing Keflavík base would deprive the alliance of information on activity of the Soviet Northern Fleet and leave Iceland defenceless to the Soviets who could occupy Iceland in a single day. After initial occupation with a small force, Soviet reinforcements could be brought in within hours and could reach 100,000 within four days (INA, 1973a). Such a Soviet foothold in Iceland would threaten the security of the Atlantic sea

lines of communication between North America and Europe and thus endanger NATO itself. A Soviet-controlled Iceland would leave no other option available to the United States and NATO than to place Iceland under a naval blockade that would be followed by a full-scale invasion.

The Nixon administration was of course concerned with the strategic value of the base but there were other short-term goals to be considered that State Department officials discussed with Ágústsson (INA, 1973d). The closure of Keflavík base would be interpreted by the Soviet leadership as a sign of division within the alliance that would undermine U.S. and NATO's bargaining position in the upcoming Mutual and Balanced Force Reductions (MBFR) talks between NATO and Warsaw Pact countries aimed at reducing the levels of conventional arms and armed forces in Europe.

Meanwhile in the U.K. the adverse effect of the fisheries dispute on Iceland's position in NATO was being discussed in the Foreign and Commonwealth Office. The British ambassador to Iceland, John Mckenzie, raised the possibility in a report to Foreign Secretary Sir Alec Douglas-Home of giving preferential treatment to Iceland in the fisheries dispute on condition that the base at Keflavík would be retained. Although the idea had its merits the ambassador came to the conclusion that the only government party completely in favour of closing the base was the People's Alliance. Therefore, special concessions were hardly necessary as the government was more likely to collapse over the base issue than to terminate the defence agreement (FCO-41/826, 1971). Nonetheless, during a NATO Ministerial meeting in early December 1971 Sir Alec Douglas-Home informed Ágústsson of his concerns about the adverse effect on British security the removal of U.S. forces from Iceland would have. Ágústsson, a Progressive – hinting towards his own feelings – replied that:

...Icelanders needed educating in the strategic importance of their country” and “... mentioned the timing of the Icelandic programme over the U.S. base, and said that it would be pretty slow (FCO-41/826, 1971).

Although the British government deemed it unlikely that the U.S. military would be kicked out of Iceland it had every reason to be mindful of the implications of such a move. In the summer of 1973, the Ministry of Defence commissioned a study from the Chiefs of Staff entitled *The Importance to United Kingdom Defence Interests of NATO Military Facilities in Iceland*. In short, the report concurred in all major points with the report handed over to Ágústsson in Washington D.C. In addition to pinpointing direct implications for British security and defence interests such as the loss of surveillance and reduced air defence capabilities over the British northern approaches the report also noted the importance of three NATO-funded Long-Range Navigation (LORAN) stations in Iceland that together with stations

in Greenland and the Faroese Islands formed a part of LORAN A and LORAN C essential for communication and navigation of military and commercial ships and aircraft operating in the High North. The report pointed out that if Keflavík base closed the radars:

...would probably continue to operate. On the other hand the NATO-funded communications links terminating in Iceland would become redundant, and the loss of the proposed MATELO⁵ would mean that no alternative communication to United Kingdom aircraft from this country in the poor communication environment of the high northern latitudes would be available (Defe/5/196/6, 1973).

To the British side it was clear that retaining Keflavík base was essential both for the joint defence posture of NATO and British defence interests.

By spring 1973 other NATO members – and non-NATO states – were becoming increasingly alarmed about the future of Keflavík base. The U.S. ambassador to Iceland, Frederick Irving, briefed his Danish and Norwegian colleagues on recent developments and the three of them decided to exert some light pressure on the Icelandic delegation at NATO through the Danish and Norwegian delegations at NATO (US Embassy Reykjavik, 1973a). Meanwhile Soviet satellites in Eastern Europe seemed concerned that the closure of Keflavík base would throw the MBFR-talks off balance. The Romanian ambassador to Iceland, Ploestenu, called up Ambassador Irving and:

...spent his entire call telling me how important it was for the US to succeed in the MBFR and for the US not to make unilateral troop withdrawals from Europe. He said that his country's position was that both Soviet and American troops should withdraw into their own countries but as long as Soviet troops are in other countries the American troops should also remain (US Embassy Reykjavik, 1973).

Although not a NATO member the Swedish government was also alarmed by the imminent weakening of NATO's Northern Flank (US Embassy Stockholm, 1974) and Swedish Prime Minister Olaf Palme made his concerns known to the Icelandic government (Secretary of State, 1973) during a brief visit to Iceland in May 1973.

As the dispute escalated and NATO became more actively involved NATO Secretary General Joseph Luns decided in early June 1973 to act on his own and attempt to get negotiations back on track. Contacting the British government Luns gave– without any support from the Icelandic government – a personal

5 MATELO (Maritime Air Telecommunications Organisation Facility), a proposed on-line crypto communication link (Defe/5/196/6, 1973).

guarantee that the ICGV would cease harassment of British trawlers in exchange for withdrawal of British naval vessels outside of the 50 nautical miles limit (Luns, 1973 and Ingimundarson, 2003, pp. 115-116). Although guided by the best of motives, Luns's offer was stopped dead in its track as no assurance could be had from the Icelanders that ICGV would not attempt to apprehend British trawlers.

On 25 June 1973, the Icelandic government followed through with its threat it had made to President Nixon a few weeks earlier and invoked article VII of the defence agreement thereby initiating the six-month revision period required before its termination. During its session on 5 July the NAC discussed the decision. The meeting began with Luns giving a brief account of his latest attempt to mediate. The British government, according to his proposal, would withdraw their navy from the 50 nautical miles area as soon as the British trawlers had fished the 145,000 tons offered in the latest British proposal. He had submitted his idea to the British and Icelandic government and was encouraged to learn that the two Foreign Ministers had met privately in Helsinki. Regarding the invocation of Article VII, the council decided to direct the Military Committee to:

...prepare a report on Iceland's strategic and military significance and submit the report in "due course". MC report will provide the basis for the appraisal and recommendations which the Council will in turn submit to the two Governments (US Mission NATO, 1973b).

The wording "due course" was not free of political machinations. A week before that council meeting the Secretary General and the U.S. ambassador to NATO, Donald Rumsfeld, had met on several occasions to discuss privately an appropriate release date for the Military Committee report. Their concern was that if the report would be released too early it might be used as political fodder by those who wished to link the base issue with the fisheries dispute (US Mission NATO, 1973a). However, if delayed for too long, the Icelandic government would be given an excuse not to begin negotiations and simply let the six-month revision period run its course

In Iceland ambassador Irving and Foreign Minister Ágústsson began informal discussions about the forthcoming negotiations. Although maintaining the official line that the ultimate objective of the Icelandic government was to close the base, in private Ágústsson conceded that the U.S. government and NATO were unlikely to accept removal of U.S. forces from Iceland. Therefore, he was willing to proceed on the following interim objectives:

(A) removal of as many IDF functions as possible from Iceland's soil without impairing effectiveness of IDF; (B) reduction of military manpower by at least one-third from the present number of 3300 over a time period to be negotiated but not to exceed five years through removal of functions and by substitution of civilians which initially can

be combination of US and Icelandic civilians but eventually total Icelandization (US Embassy Reykjavik, 1973b).

As not to draw all teeth out of the base bargaining ploy, Ágústsson emphasised that public opinion continued to sour towards NATO and the base because of the British invasion of Icelandic waters. Therefore, it would have extremely bad effects in the upcoming negotiations if British naval ships remained within the 50 nautical miles EEZ. He himself, Ágústsson continued, and Prime Minister Ólafur Jóhannesson were of the same mind: that the base issue and fisheries dispute should be kept separate but they could not stand against public opinion. Ambassador Irving wryly pointed out that then it might be time for the pair of them to stop their anti-NATO and defence force statements in the media and try instead to calm the situation (US Embassy Reykjavik, 1973b). Ágústsson replied that such was their intention and Irving would soon see evidence of it. Following this exchange the date for formal talks was set for late September.

The Progressive Party was playing a dangerous balancing act. Publicly its leaders had linked the base retention with the fisheries dispute, implying that the base might be closed. But privately a clear divide existed between the governmental parties. Most of the Progressive Party saw a need for continued U.S. military presence in Iceland and wished for the base to remain, while the People's Alliance happily exploited the fisheries dispute to turn public opinion against the base by referring to the British naval vessels as NATO warships (“Stærsti mótmælafundur á Íslandi,” 1973). For the Progressives the risk was that resentment towards the base and NATO would spiral out of control, handing the initiative over to the People's Alliance.

The dispute remained in deadlock throughout the summer. During a June NATO Defence Ministerial meeting in Copenhagen the Norwegian and Danish Defence Ministers tried to nudge both sides towards talking by urging the British government to unconditionally withdraw their naval vessels outside the 50 nautical miles limit (Jóhannesson, 2005, p. 98) but without success. The ICGV continued to harass British trawlers, cutting their fishing warps and attempting to board, while British frigates were deployed as a barrier between the antagonists. The result was repeated collisions of ICGV with British vessels. On 29 August the skirmishing eventually claimed the first and only casualty of the Cod Wars. Following a collision with *HMS Apollo* a sailor on board *ICGV Ægir* was accidentally electrocuted while carrying out temporary repairs on a damaged hull section. *Tíminn*, the Progressive Party newspaper, put the blame squarely on the Royal Navy (“Ofbeldisaðgerðir og yfirdrepuskapur,” 1973) and their violent and dangerous ramming tactics against ICGV.

The sailor's death marked a turning point in the fisheries dispute. In Brussels, the Icelandic ambassador to NATO informed Secretary General Luns that his government would soon recall him to Iceland as an act of protest over NATO's

inability to halt British aggression. The Secretary General responded to the escalation by contacting Foreign Secretary Douglas-Home and propose a British withdrawal outside of 50 nautical miles in exchange for the Icelanders' willingness for bilateral talks. Not surprisingly, the British reply was negative (State Department, 1973) and on 11 September the government of Iceland issued an ultimatum: Iceland would break off diplomatic relations with the U.K. if British naval vessels would continue to ram Icelandic vessels.

To hamper British efforts in monitoring the movement of ICGV the government of Iceland also instructed Icelandic air traffic controllers to stop communication with the British Nimrod maritime reconnaissance planes from 14 September ("Nú er það Breta að velja," 1973) as they were used to gather intelligence about the movement of ICGV in the sea around Iceland (Welch, 2006, pp. 134-135). The surveillance flights were a particularly sensitive issue to many Icelanders as they were viewed as a use of NATO assets by one alliance member against another. Although threatening to cease communication with the jets seemed like a bold move it soon turned out that in reality it was not an option. Information on movements of the Nimrods was essential for air traffic safety and Icelandic air traffic controllers defied the Minister for Transportation, Björn Jónsson, and refused to enforce the ban ("Nimrod-þoturnar: Við metum þetta hverju sinni," 1973) on the grounds that breaking communication would pose an unacceptable risk to the safety of airliners flying through the Icelandic air traffic control zone.

While the fisheries dispute continued to simmer and boil the NAC had prepared its recommendation on the revision of defence agreement, required before the agreement could be abrogated. On 16 September Secretary General Luns arrived in Iceland into an emotionally charged atmosphere to present in person the Council's advice. On the morning of 17 September Luns briefed the government, represented by four ministers from the three coalition parties. The assessment stated that the strategic importance of Keflavík base for surveillance of Soviet naval activity in the North Atlantic and its role in securing the Atlantic sea lanes of communication could not be done as effectively from any other NATO country (INA, 1973f) and that the security of NATO, in particular its northern members Iceland and Norway, would be severely undermined if the base would be closed. After the Secretary General had finished it was time for the Icelanders to react. Prime Minister Jóhannesson opened by offering his gratitude for the presentation and affirming that his government would give it serious consideration. Jóhannesson, however, emphasized that the defence agreement was first and foremost a bilateral arrangement between the United States and Iceland (INA, 1973b). He himself and his government were most concerned with the security of Iceland and although the NAC took the view that closing the base would make Iceland defenceless and thus a tempting target for Soviet expansionism there were those that believed the base itself made Iceland a target for Soviet aggression. Jóhannesson finished his opening remarks by stating that:

I have seldom heard military experts proposing reductions. It is a pity to have to admit our or at least my ignorance in military matters, so the report is half wasted on me, but I have some understanding of political matters (INA, 1973b).

Raising the stakes, Jóhannesson brought up the issue of NATO membership itself. The will of his government, he continued, had been to close the base but remain in NATO. Since late May the alliance had proved unable to get the British government to withdraw its navy outside the 50 nautical miles limit and this fact begged whether:

...If the fact is that NATO has no power in such cases [...] we ask ourselves what have we to do in the alliance. We can go out in one year. Then the base issue solves itself (INA, 1973b).

The Secretary General replied that it lay outside the power of NATO to intervene in political decision-making of its members but added that literally all NATO members were very worried about the British attitude. He himself would meet with British officials at London airport the morning after and he would convey Prime Minister Jóhannesson's words (INA, 1973b). He then went on to list his own private attempts to use his influence to get the British to withdraw their navy and return to the negotiation table (INA, 1973b). In the end of May he had approached Foreign Secretary Sir Douglas-Home and Prime Minister Heath; 4 June he sent a letter to Sir Alec Douglas-Home; 1 July he had met with the British chief negotiator, Lady Tweedmuir, in London and also enlisted the help of Supreme Allied Commander Atlantic (SACLANT), Admiral Cousins, to increase the pressure on the British government.

The Icelandic insistence on entangling continued U.S. military presence in Iceland with the fisheries dispute was making the Secretary General gloomier by the minute. During an honorary dinner on the evening of the 17 September he confided in Ambassador Irving that "He was completely fed up with British intransigence which [...] will drive Iceland out of NATO and is making IDF [Iceland Defence Force] retention difficult if not impossible" (US Embassy Reykjavik, 1973c). After inviting the British Ambassador, McKenzie, to join them, Luns remarked that resentment towards NATO and the defence force, both within the Icelandic government and among the public, was greater than he had realized and that Iceland's membership in NATO would be at risk unless the fisheries dispute was resolved quickly. He then implored McKenzie to do his best in convincing his superiors in London of the damage the presence of the British Navy within the 50 nautical miles zone was causing the alliance. The possibility was real that in face of popular resentment towards NATO other coalition parties would placate the People's Alliance and actually close the base. For NATO the loss of Keflavík base would be "unthinkable"

(US Embassy Reykjavik, 1973c). Therefore, he would have to increase his own personal efforts to solve the fisheries dispute.

Despite the Secretary General's impassioned arguments Ambassador Mckenzie was in disagreement. In fact, he had been advising his superiors at the Foreign and Commonwealth Office that the Icelandic government was bluffing and would never close the base no matter how much it tried to link base negotiations with the fisheries dispute. Disagreeing with Mckenzie, Irving pointed out that:

...although it is not logical to associate fisheries dispute with defense issues we nevertheless cannot overlook the fact that GOI [Government of Iceland] officials and the public are doing it. We would be deluding ourselves not to take notice of this in assessing IDF negotiation probabilities (US Embassy Reykjavik, 1973c).

In the following days, clashes continued in the Icelandic fishing grounds between ICGV and the British Navy. On 27 September, following two serious ramming incidents between ICGV *Ægir*, and *HMS Lincoln*, the Icelandic government announced that diplomatic relations with Britain would be severed if the navy would not be withdrawn before 3 October.

Pressure within the NAC on the British government was rising. On 28 September the Secretary General called a private council meeting to discuss the crisis. The British ambassador, Sir Edward Peck, opened by reiterating the position of his government which was that the fisheries dispute was one of international legal disagreement – i.e. the right of British trawlers to fish outside the 12 nautical miles zone, in an area the British government regarded as international waters. Following his statement, the Belgian ambassador to NATO, André De Staercke, called for the U.K. to “abandon legalities. And encouraged the SYG [Secretary General] [...] or the Council to take some form of action to intercede in this matter” (US Mission NATO, 1973c). In the end the Council decided that the Secretary General should send a letter to the government of Iceland and Britain and implore them to renew negotiations.

The Secretary General's intervention bore fruit and on 30 September in London he met with Prime Minister Heath and Foreign Secretary Douglas-Home to find some way out of the stalemate. His plan called for a meeting between the two Prime Ministers that would take place in parallel with withdrawal of British naval vessels from the 50 nautical miles limit while the ICGV would simultaneously stop harassing British trawlers within that zone (US Mission NATO, 1973d). The Secretary General's plan worked and on 3 October the British government withdrew their frigates outside of the disputed area. On 16 October, the two governments reached an interim agreement valid for two years. Up to 140 British trawlers would be allowed to fish within the 50 nautical miles zone with a limit on total catch set at 130,000 tons (Rastick & Ísleifsson, 2004, p. 373). With the fisheries dispute out of the way, negotiations about the future of the defence force could continue. However,

because of disagreement between the government parties on how to proceed the matter remained unsolved until after parliamentary elections in May 1974.

Following the elections, a coalition consisting of the Independence Party and the Progressive Party was formed and the new right-of-centre government abandoned the policy of terminating the defence agreement. In private conversation Independence Party Prime Minister, Geir Hallgrímsson assured Ambassador Irving that his government had no intention of closing the Keflavík base (US Embassy Reykjavik, 1974) and on 22 October 1974 an agreement on the future retention of Keflavík base was reached between representatives of the two governments.

As might be expected from the base negotiations in 1956 the 1974 agreement had a strong economic overture. Some 420 Defence Force personnel would be gradually replaced by Icelandic civilian workers whose training would be handled by the United States. In addition, the United States undertook to finance the construction of 500 apartments within the Keflavík base for defence force members currently residing in local communities. But the largest concessions regarded Keflavík airport. The United States promised to separate all military and civilian traffic within Iceland's only international airport and support financially the construction of a new terminal building as well as upgrade airport infrastructure so that within 10 years (INA, 1974) Keflavík airport would comply to category II standards of the International Civil Aviation Organization (ICAO).

3.4.3. The Third Cod War 1975-1976

The new government in Iceland solved the base crisis but Hallgrímsson's government would prove as difficult to the British government and NATO as the previous one. In the run-up for the national elections in 1974 further extension of the EEZ to 200 nautical miles had been endorsed by all political parties, however, the new government decided to wait until the conclusion of the 1975 UNCLOS as the expectation was that an international consensus on 200 nautical miles EEZ would be reached by the delegates (Jónsson, 1982, pp. 157-160). As the convention proved a failure the Icelandic government declared, on 15 July 1975 that it would extend Iceland's EEZ to 200 nautical miles to take effect from 15 October that same year.

Exploratory talks between the British and Icelandic government began on September 11 in Reykjavík. The British delegation led by Assistant Secretary of State Roy Hattersley hoped that the previous fisheries agreement that ended the 1972-1973 Cod War could be extended for further ten years. Their position was strengthened by an ICJ ruling in 1974 that Iceland's previous unilateral extension beyond the 12 nautical miles had been unlawful (Jónsson, 1981, p. 11). Choosing to ignore the ruling the Icelandic negotiators proposed instead a yearly catch of 65,000 tons that would gradually be phased out in the coming years. The follow-up meeting took place in late October in London. This time the Icelandic offer had

lowered. Foreign Minister Ágústsson was not willing to offer the British more than a yearly catch of 50,000 tons while Hattersley could go no lower than 100,000 tons (Guðmundsson, 2007 p. 55) leaving an unbridgeable gap between the two sides.

The government of Iceland followed through with its decision and extended Iceland's EEZ to 200 nautical miles on 15 October 1975, however, British fishermen would be allowed to trawl within the 200 nautical miles limit until 13 November, three days after the expiration of the 1973 agreement. In a last-ditch attempt to hammer out an agreement of some sorts the British and Icelandic negotiators met for the second time in Reykjavík on 16 November. Despite the effort the atmosphere was sullied from the start. The ICGV had cut the fishing warps off two British trawlers the day before and continued to harass British trawlers during the entire negotiation session. The Icelandic government returned to its previous first offer of 65,000 tons which remained unacceptable to Hattersley and his companions.

Following those failed November discussions, the British government placed a landing embargo on Icelandic fish in Britain and decided, yet again, to send the navy to protect its fishermen. The first frigates arrived in Icelandic waters on 25 November 1975 and the same cat and mouse game that had characterised the previous Cod Wars resumed. The vessels of the Icelandic Coast Guard attempted to cut fishing warps of British trawlers while the British naval vessels tried to come between and often ramming ICGV in the process.

After a month and a half of warp cuttings and collisions in the waters around Iceland the Icelandic ambassador to NATO, Tómas Tómasson, called for a special NAC meeting following a harsh collision between ICGV *Thor* and *HMS Andromeda*. Tómasson harshly criticised the British government for inconsistency in their actions. On one hand they expressed willingness for an amiable resolution, but on the other they sent British warships into Icelandic waters, resulting in several ramming with the much slower and smaller Icelandic vessels. Concluding, Tómasson declared that "If the British Navy continues to intervene in Icelandic waters, I cannot continue to sit at the same table with the UK representative" (Secretary of State, 1976) thereby threatening to withdraw Iceland's representation to NATO. The British ambassador, Sir John Killick, replied that his government did not wish to debate the conflict in the NATO forum, "but was not in any way put out that the Government of Iceland called for a Council meeting" (Secretary of State, 1976). Furthermore, Killick countered with the traditional legalistic argument that British trawlers had every right according to international law to fish in Icelandic waters.

However, the Icelandic manoeuvre to use NATO yet again as a forum to exert pressure on the British had worked. Following the Icelandic and British statements other ambassadors voiced their opinions, too. The Belgian ambassador, De Staercke, criticised the British government for disproportionate use of force and asked why it was not possible for them to withdraw the navy if that would help get negotiations back on track. Other ambassadors echoed the Belgian view and encouraged a

British naval withdrawal as a first step in renewing negotiations (Secretary of State, 1976). As the meeting concluded Secretary General Luns announced his plan to visit Reykjavík and London in an attempt to mediate the dispute as he had done so successfully three years before.

Upon his arrival in Reykjavík on 14 January 1976 Prime Minister Hallgrímsson and Justice Minister Jóhannesson informed the Secretary General that there would be no deal with the British until they withdrew their navy unconditionally and without expecting any reciprocity from the Icelandic side. Furthermore, if the British would not comply then the government of Iceland would have no choice but to break diplomatic relations between the two states. Disappointed with Icelandic inflexibility the Secretary General replied that he had hoped to act as liaison between both sides, but he could not put himself in the position of “bearing an Icelandic ultimatum to London” (US Embassy Reykjavik, 1976a). Whether the Secretary General’s talk softened Hallgrímsson’s position is not clear but not waiting until he had conferred with the British side Hallgrímsson announced on 16 January that his government was willing to begin negotiations if the British government withdrew its frigates and NIMROD jets outside the 200 nautical miles before 24 January. If not, the Icelandic government would break off diplomatic relations. The British government yielded, and on 24 January negotiations resumed in London.

Unfortunately, the whole process would be torpedoed by an incident on 26 January. A tacit understanding was in place that ICGV should leave the British trawlers alone during negotiations. Despite this, the captain of ICGV *Týr* cut the fishing warp of the trawler *Boston Blenheim*. As negotiations ran aground the British proposal was formally rejected and on 5 February the British government renewed naval protection of their trawling fleet. Soon rumours began to surface that the warp cutting had been carried out with the consent of Justice Minister Jóhannesson who was adamantly against any sort of deal with the British (Jónsson, 1981, pp. 54-55). Why the Progressives might want to sabotage the negotiations could be explained by their fears that Hallgrímsson might agree to let the British continue fishing within the 200 nautical miles limit instead of driving them completely out of the new EEZ (Rastick & Ísleifsson, 2004, pp. 385-386). This rumour would later be quashed by the Captain of *Týr*, Guðmundur Kjærnested, who in an interview stated that it had been his own decision to cut the warps from *Boston Blenheim* (Guðmundsson, 2007, p. 111) and that orders to desist from harassing the British trawlers arrived only minutes after he reported his actions to his superiors

There was a clear difference in style between the Progressive and Independence Party leaders on how to handle the crisis. As the conflict had reached a stalemate Justice Minister Jóhannesson paid a visit to U.S. ambassador Irving and after dispensing with some formal small talk, Jóhannesson attempted – yet again – to get the Americans involved on the Icelandic side:

His real purpose turned out to be a warning that unless the USG voluntarily takes on an active and visible defence of Iceland against the British, the IDF will be in serious danger. He also wanted me to know that whereas in the leftist GOVT which he headed (1971-1974) he worked to save the base (comment: this is true), he will not do the same today unless the USG honors its “obligation” to Iceland. As alleged proof that USG is obliged to drive the British frigates out of the disputed waters he cited point E of the agreed minute of the 1974 MOU which reads as follows: “The two governments will study ways to further the cooperation between the Iceland Defence Force and the Icelandic Coast Guard, civil defense and civil aviation authorities.” After expressing my astonishment as to how he as an international lawyer of his standing and as the astute GOVT leader he claims to be could possibly believe this, [...] there is nothing anyplace in the MOU which obligates the USG to become involved in Iceland’s fisheries dispute (US Embassy Reykjavik, 1976b).

What followed was an hour-long heated argument between the two men. Ambassador Irving warned Jóhannesson that the U.S. government did not give in to blackmail, and it seemed to him that “Iceland was trying to flex muscles it really did not have” (US Embassy Reykjavik, 1976b). Continuing, Irving listed the possible consequences to Iceland if the base should be closed and the defence force forced to leave the country:

All construction at IDF would naturally stop, hitting Iceland the hardest at a time when Iceland expects unemployment to develop. I pointed out that Iceland gets excited when unemployment hits 200. If IDF closes, Iceland can expect to add at least ten times that number to its unemployment rolls. Iceland earns approximately \$26 million a year in foreign exchange from IDF operations which just happens to be the amount of its reserves in good times and which this year has been of indescribable advantage it is a cushion Iceland denies it needs but is always glad to have. If IDF is forced to withdraw, Iceland’s security would be so endangered that its financial credibility with foreign lenders could be shakier than it is now. Icelandic Airlines currently enjoys an attractive concession from USG. There would be a serious question whether this concession should be continued. If withdrawn Iceland would be hard pressed to fill one 727 a week to New York instead of the present nine stretch DC-88. The foreign exchange loss would be felt. If Iceland broke relations with UK, left NATO and forced out the IDF, there was no reason to believe Iceland would be better off on the fishing grounds than now. In my opinion, most likely worse. Iceland’s largest customer of fish is U.S. if Americans became angry enough over Iceland’s action, we could conceivably look elsewhere for suppliers. If USSR offered to fill the gap and take Iceland’s fish, it will not be without disadvantages to Iceland (US Embassy Reykjavik, 1976b).

Following the ambassador's tirade Jóhannesson retracted his threat and conceded that it was not the policy of this government to close the base. He added, however, that national sentiment in Iceland was increasingly turning against NATO because of its inactivity over British actions and many thought that closing the base would hurt NATO and the United States more than Iceland. Before ending this meeting of frank exchanges, Jóhannesson inquired whether the 1974 MoU could be interpreted as allowing for U.S. sales of equipment, such as speedboats, helicopters and arms, at concessional rates to the Icelandic Coast Guard (US Embassy Reykjavik, 1976b). Not giving an immediate answer, Irving offered to transmit the request to Washington D.C. for further study. Falling short of scaring the U.S. government into getting directly involved in the dispute Jóhannesson had settled for the next best thing. Whether his gambit was sincere or simply a ruse to keep the U.S. involved at some level can be debated. What is known is that nothing came out of this Icelandic bid, even though Jóhannesson would later tighten the screws by threatening to purchase patrol boats from the Soviet Union if the United States should remain non-responsive to his proposal (Jóhannesson, 2006, pp. 130-131).

On 10 February, Irving met with the bewildered Prime Minister Hallgrímsson who unlike his cabinet counterpart did not show the same level of militancy against the defence force and NATO. Hallgrímsson acknowledged the seriousness of the situation and admitted that he and other NATO supporters within the government lacked any leeway to negotiate with the British and in effect had become hostages to the public mood. It would be political suicide for him or anyone else to give an assurance to the British government that ICGV would not continue their harassment if the frigates were to depart. Continuing, Hallgrímsson confided in Irving that he was quickly losing his parliamentary majority with defections even within his own party (US Embassy Reykjavik, 1976c). If nothing was to be done the Progressive Party would soon demand a break of diplomatic relations with Britain and possibly go as far as to demand a withdrawal from NATO. In that case the government would fall, as he and his fellow Independence Party members would never agree to Iceland pulling out of NATO. Just as in previous Cod Wars the U.S. government refused to take sides but it was not indifferent to the dispute. As before their position was that of caution and to act as an honest broker. U.S. officials encouraged the British to show restraint and keep in mind "...the strategic repercussions which the dispute could give rise to" (PREM-16/872, 1976a) as well as receiving briefings by Secretary General Luns on his initiatives to mediate the dispute (Luns, 1976).

The conflict between Hallgrímsson and Jóhannesson was not lost on the British government or Secretary General Luns. During a meeting between Prime Minister Wilson and Foreign Secretary James Callaghan with the Secretary General on 11 February 1976 (PREM-16/872, 1976d) Wilson thanked Luns for his efforts

although they had been doomed from the start as “Basically the problem was that there was no Icelandic Government and the Icelandic Prime Minister was terrified of his Minister of Justice.”

Eventually on 19 February 1976 the Icelandic government followed through with its threat and broke off diplomatic relations with Britain. If the government had hoped that such a drastic action would entice a lull in British naval activity in the sea around Iceland they were mistaken. The British frigates continued to ward off ICGV which in turn seemed more determined than ever to cut as many trawler warps as possible. The result was an ever-increasing number of serious ramming that put both ICGV and British frigates out of service for days and even weeks as the damaged vessels had to return to harbour for repairs. Fortunately, there were no fatalities but the strain on manpower and ships was increasing, and affecting the British Navy more acutely than the Icelandic Coast Guard. Not only were the distances to friendly harbours and dockyards greater for the frigates, but the ICGV were sturdier and with thicker plating. Therefore, clashes would more often than not leave the frigates more badly damaged than the smaller gunboats.

As March dragged on the ICGV were inflicting serious damages to the frigates. On 26 March ICGV *Baldur* rammed *HMS Galatea*, leaving her with a hole two feet square. The following day *Baldur* made four successful attempts at ramming *HMS Diomedea* causing extensive damage to the ship including a twelve-foot-long tear. Needless to say, the crippled frigates were withdrawn to Britain for extensive repairs. The skirmishes and the toll they took were beginning to affect other navy activities, including participation in NATO training exercises, that had to be abandoned because of the material and manpower tied up in the Icelandic fisheries patrol (Welch, 2006, p. 207). On the evening of 27 March orders were given to the frigate captains that they should avoid further action and damage. The utility of deploying naval vessels to counter warp cutting was proving to be futile. The British Ministry of Defence was faced with three options: (1) accept the reduction in naval protection which would mean increased interruption of fishing; (2) return to previous rules of engagement, that would mean further damage to naval vessels with the associated risk of casualties; or (3) counter ICGV ramming by some form of escalation of the rules of engagement under which the task force operated. In viewing the third option, the Minister of Defence concluded that:

In considering this last option, I have had in mind particularly the factors I stressed to the MISC 130 last week, viz the importance that Iceland remains a member of NATO and that Keflavik base continues to be available to the Alliance. The effect of what could all too easily be presented as aggressive action on the part of another NATO member against Iceland could frustrate these objectives, and the resulting loss would be compounded by the responsibility which our allies would attribute to the United Kingdom. I am therefore led to conclude that it would not be in our wider interests to

relax the constraints which the present Rules of Engagement place on the use of gunfire against this NATO ally (PREM-16/872, 1976b).

Apparently, the level of naval protection could not be maintained, nor was it possible to simply open fire on the ICGV to end their harassment of British trawlers once and for all. In early May the frigates returned to previous rules of engagement and began to intercept ICGV with renewed fervour (Welch, 2006, p. 245) which resulted in nine collisions in less than three hours, crippling *HMS Mermaid* and *HMS Falmouth*.

Applying brute military force against ICGV had been deemed an unpalatable option by the British decision-makers, but on the ground, threats or requests to use military force were actually made on at least three occasions. Following *Baldur*'s ramming of the *HMS Diomedé*, her captain threatened the captain of *Baldur* that if he did not desist the *Diomedé* would use her guns against him (Welch, 2006, p. 217). Fortunately, the warning was heeded and the Captain of *Diomedé* was not forced to follow through on his threat. The second instance occurred in the course of the clashes that put *HMS Mermaid* and *HMS Falmouth* out of service. During the skirmishing, the captain of *HMS Mermaid* requested permission from his superiors for the frigates to use their guns and mortars against the ICGV as the Coast Guard seemed determined to damage the frigates. Needless to say, his request was denied. The third occasion took place, on 12 May, while the ICGV *Ægir* was giving chase to the trawler *Primella* caught fishing within 50 nautical miles. The captain of the *Primella* repeatedly ignored orders to stop and as a result the captain of *Ægir* decided to fire at the trawler, first using blank warning shots followed by a live shot narrowly missing the trawler's stern. The captain of the *Primella* sent out a distress call to the British task force and as a Nimrod surveillance jet arrived to the scene the captain of *Ægir* was threatening to fire a live round into *Primella*'s hull. The crew of the Nimrod relayed the message to *Ægir* that British units had been allowed to return fire. The Captain of *Ægir* responded by threatening the *Primella* a number of times, with each threat being reciprocated with a warning from the Nimrod (Welch, 2006, pp. 240-249). What the captain of *Ægir* did not know was that the Nimrod jet was unarmed but the ploy worked and *Ægir* gave up on its attempt to apprehend the trawler

The severing of diplomatic relations between Iceland and Britain marked the end of Secretary General Luns direct involvement in the dispute, but heralded the introduction of Norwegian Foreign Minister Knut Frydenlund as a would-be mediator. As the crisis continued to spiral out of control the Norwegian government grew increasingly concerned about the effect it might have on Keflavík base (US Embassy Oslo, 1976b). A few days after the rupture of diplomatic relations Frydenlund suggested to the NAC a temporary compensation scheme for the British trawlers fishing off the Icelandic coast. With the trawlers gone, the frigates could

be withdrawn thereby fulfilling the Icelandic requisite for renewed negotiations. Although Frydenlund was quoted by a U.S. embassy official in Oslo as stating that “Norway is prepared to pay the whole bill on this one” (US Embassy Oslo, 1976a) the plan envisioned participation by other selected NATO members, such as West Germany, Belgium, Holland, Canada and Denmark (US Embassy Oslo, 1976a). The idea was left to linger for a few days before being finally killed off. The Ford administration was not willing to go along as the Icelandic government might interpreted U.S. involvement as providing assistance to the British side. There were also reservations as to whether Congress would approve such a use of U.S. funding (Jóhannesson, 2005, pp. 120-121). There was also resentment among other NATO members who feared that using NATO in such a way would create a precedent for other member states in the future.

While the compensation scheme fell through, another possible solution presented itself. During an informal meeting between Tómas Árnason, a prominent member of the Progressive Party, and the Norwegian ambassador in Reykjavík, Olav Lydvo, Árnason proposed a possible way forward: the two sides should negotiate for the total number of British trawlers within the 200 nautical miles zone instead of focusing on a total allowable catch. Árnason, whose initiative was a private one (Jóhannesson, 2005, pp. 122-123), went further and suggested that the government might settle for roughly 15 British trawlers within the zone for a limited time period. Frydenlund set to work on the proposed solution and for the next month he was in contact with both the Icelandic and British government, tentatively probing a solution based on a total number of trawlers which would be palatable to both parties. By the end of March his work had resulted in a basis for an agreement (PREM-16/872, 1976c) although there was still haggling over the absolute number of trawlers. By this stage it was clear that the British government had settled on a policy of honourable defeat. As spelled out in a report from Foreign Secretary Callaghan to Prime Minister Wilson:

We are in no doubt about the penalties of a prolonged dispute with Iceland. The longer we fish without an agreement the more difficult our position will be. The move towards 200 mile fisheries limit is likely to gather pace. Anxiety within NATO about the effects of this dispute between member countries is increasing. And the Royal Navy will have genuine difficulty in protecting our trawlers under the present rule of engagement if the Icelandic coastguard resume the ramming tactics which have led recently to severe collisions in one week (PREM-16/872, 1976c).

For the next two months, informal negotiations continued and on 21 May 1976 an agreement was reached that brought an end the third Cod War. On 30 May the British government withdrew their naval force outside the 200 nautical miles zone and a formal agreement that met all Icelandic demands was signed on 1 June in Oslo. Up to 24 British trawlers would be allowed to fish within the 200 nautical miles

zone for the following six months after which no British ship could fish within the area without permission from the Icelandic authorities.

The conclusion of the last Cod War marked a complete capitulation on behalf of the British side. But they had been fighting a losing battle and the British government knew it. Not only did they have to take into consideration the effect the dispute had on cohesion within NATO and the retention of Keflavík base, but other NATO members such as Canada, Norway and the United States had by this point already declared that by 1977 they would extend their EEZ to 200 nautical miles. For Iceland, the extension of its EEZ to 200 nautical miles marked the end of an on-going struggle over the right of Icelanders to exclusive fishing in the waters around their country.

3.5. Conclusion

For most of its history Iceland remained at the periphery of Europe unaffected by European conflicts. Iceland's greatest guarantee lay in its remoteness and the disinterest of European powers in its affairs. A part of the Kingdom of Denmark from 1380 until 1918, Iceland's distance from the Danish heartland translated into Danish inability to provide Iceland with adequate defences. Most notable instances took the form of the Ottoman plunderers of the early-17th century and the seizure of power by the British adventurer Samuel Phelps for a brief period in the summer of 1809.

With technological advances of the 20th century, Iceland's strategic importance grew and Iceland's remoteness ceased to keep the country separate from European conflicts. Not being able to rely on Danish protection, Iceland found itself squarely within the British sphere of influence during the First World War. Ironically, it can be argued that British dominance in the North Atlantic and British insistence upon the Icelandic Home Rule government to acquiesce to its demands, i.e. inspection of Icelandic cargo bound for Denmark in British harbours and communicating with the outside world via telegram in either English or French, gave Iceland certain self-confidence and belief that Iceland could thrive without Denmark. After all, Iceland was able to conduct trade agreements with the allies during the war without any Danish interference.

With the outbreak of the Second World War and Nazi occupation of Denmark, the British invaded and occupied Iceland in May 1940. As before, when the bond between Iceland and Denmark frayed Iceland prospered. The 1941 U.S.-Icelandic Defence Agreement further solidified Iceland's post-war position as a fully independent nation.

However, the post-war security environment was fraught with dangers, especially for small states. From the end of the war, Icelandic decision makers took consecutive

steps to safeguard and guarantee the independence of Iceland. The 1941 Defence Agreement was only valid until the end of the war but the government of Iceland decided to allow the U.S. to continue to operate and use Keflavík airport for military purposes and entered a formal alliance by joining NATO in 1949 and signing a bilateral defence agreement with the United States in 1951. Thus, by joining an alliance and bandwagoning with one of the most powerful actors in the international system the theoretical school of Neorealism goes a long way in explaining the behaviour of a small newly independent state too weak in an insecure international system to provide itself with military defences.

For Icelandic decision makers NATO membership was a by-product of the defence relationship with the U.S. During exploratory talks in Washington D.C. in March 1949 it was made abundantly clear to the Icelandic delegation that a bilateral military alliance was not on the table and any U.S. or British defence guarantees would only be offered to Iceland through the North Atlantic Treaty framework.

From the mid-1950s and onwards the nature of the defence relationship with the U.S. and Iceland's NATO membership began to evolve and taken on a stronger political and economic dimension. The threat of dissolving the 1951 Defence Agreement was used by the Icelandic government to exert favourable loans from the United States and the same threat used to exert pressure on the British government during the Cod Wars of the 1950s and the 1970s.

Equally, NATO and its institutional framework was used to exert pressure on the British by providing Iceland with a platform to make its case that a unilateral extension of its economic exclusion zone was in essence not an international legal dispute, as argued by the British government, but a political dispute whereby Iceland's economic livelihood, and by extension sovereignty and independence, was at stake. Through those means Iceland triumphed and Britain was forced to give way when Iceland expanded its economic exclusion zone to 12 nautical miles in 1958; 50 nautical miles in 1973; and finally, 200 nautical miles in 1975. For Iceland, the alliance became a source of economic aid and political leverage. States must guarantee their survival but for Iceland that involved economic survival as well as territorial integrity and formal sovereignty.

4. The defence function of Keflavík base

On 15 March 2006 a phone call from U.S. Assistant Secretary of State to Iceland's Minister for Foreign Affairs brought an end to 55 years of unbroken U.S. military presence in Iceland. Before the end of September the last four remaining F-15 fighter jets were removed and with them went the last vestige of U.S. military power in Iceland. Of course, Keflavík base was a Cold War offspring and it could be argued that its closure was inevitable. During its existence the base personnel monitored Soviet activity in the skies and the sea around Iceland and in times of conflict it would have served as a bastion in NATO's Northern Flank against the Soviet Northern Fleet in the North Atlantic and a bridgehead in the defence of Iceland. However, the base also played several latent roles beneficial for successive Icelandic governments. Therefore, Foreign Minister's Haarde mid-March phone call had wider implications than saying farewell to a redundant military force in a strategically insignificant region of the world.

When the first U.S. soldiers arrived in 1951, they were returning to a decade-old military airport constructed by the U.S. that also served as Iceland's only international airport. While the 1951 Defence Agreement designated the U.S. defence force as responsible for all aviation services at the airport (Ministry for Foreign Affairs, 1951) responsibility for civil aviation was in the hands of the Icelandic authorities which gained free use of base equipment for the Icelandic aviation agency. Thus, Iceland's only international airport was serviced and maintained to a great extent by U.S. military authorities and did not function without the involvement of U.S. military personnel.

By the mid-1970s efforts were undertaken to separate civilian and military traffic within Keflavík airport. The U.S. government contributed funds for the construction of a new civilian terminal and new ramps, taxiways and roads within the airport area (INA, 1979), in line with the 1974 MoU that solidified continued U.S. military presence in Iceland. In the mid-1980s the Reagan administration embarked on extensive upgrades of base facilities and equipment to counter growing Soviet naval power in the North Atlantic (Gunnarsson, 1985, pp. 3-4). Those projects included the construction of a harbour and oil depot, hardened fighter hangars, complete renewal of an obsolete radar system, a new command centre and an increase in the number of fighter jets from 12 to 18 in conjunction with the phasing out of the older F4E Phantom in favour of the new F-15 Eagle fighter jet.

Apart from reaping benefits from having the United States government fund services and major works within Keflavík airport the existence of a small American

township on Reykjanes peninsula benefitted the Icelandic economy. The need for local labour in construction and services at the base in the 1950s pumped U.S. dollars into the Icelandic economy, eliminating unemployment while causing manpower shortages in other sectors of the economy (Fjármálatíðindi, 1956). In the 1960s the services and labour needed at the base provided a steady stream of revenue and valuable foreign currency (Fjármálatíðindi, 1960) and by the 1970s the base had become a permanent feature in the Icelandic economy: the third largest single buyer of electricity from the national electric grid while employing 1.4% of the available labour force in Iceland. (Sigurpálsson, 1976). This trend continued into the late 1980s when revenues generated by the U.S. military in Iceland constituted 2.5% of Iceland's Gross National Product (Central Bank of Iceland, 2006).

Throughout the decades the U.S. military also provided an important – although unintended – role as a provider of Search and Rescue. Stationed alongside the fighter jets was a Rescue Squadron (56th RQS) of five HH-60G Pavehawk helicopters supported by a HC-130 Hercules refuelling airplane (Eydal, 2006, p. 50) and upon request by the Icelandic Coast Guard would fly non-military Search and Rescue missions (Senior official Icelandic Coast Guard, 2014). Deployed to provide combat Search and Rescue to the base the squadron had an impressive rescue record of non-base personnel. From 1971 to 2005 the squadron flew over 400 missions and rescued over 300 individuals from over 20 nationalities (Iceland Defence Force, 2006). The squadron's activity declined as domestic Search and Rescue capabilities were built up within the Icelandic Coast Guard but it is important not to undervalue its importance as it continued to provide Coast Guard with added backup in case it was ever needed right up until they were removed from Iceland in 2006 (Senior official Icelandic Coast Guard, 2014).

4.1. Iceland Air Defence System (IADS)

At the time of the U.S. departure from Iceland the Iceland Air Defence System (IADS) was the backbone of U.S. NATO air surveillance in the North Atlantic. The components of IADS include both NATO equipment and NATO facilities. IADS is divided into three sub-systems: (1) radar system, (2) communication system and a (3) telecommunication system. The radar system consists of primary as well as secondary radar system. The radar and communication sites are four and are situated in each quadrant of Iceland: Miðnesheiði (H-1A), Gunnólfsvíkurfjall (H-2), Stokknes (H-3) and Bolafjall (H-4). Optical fibre cables connect these sites to a Command and Reporting Centre (CRC) and a Iceland Software Support Facility (ISSF) situated within the former Keflavík base area (United States Navy Naval Facilities Engineering Command, 2005, p. A-1).

The communication component of IADS connects the system with command and control centres in other NATO countries; while the telecommunication system makes it possible for the staff at the CRC to communicate through secure UHF and VHF channels as well as Tactical Digital Information Links (TADIL) with military ships and aeroplanes (Icelandic Defence Agency, 2010, pp. 76-77). These three systems gather information from radars and other air defence systems and military aeroplanes and ships. The data collected by the systems is transmitted to the CRC in Keflavík where they are combined into a Recognised Air and Sea Picture (RASP), a real-time-picture of movement of all military aeroplanes and vessels within a given area. The CRC in Keflavík shares the RASP with other NATO command centres in Europe, which in turn share their RASP with the Keflavík CRC (Icelandic Defence Agency, 2010, pp. 80-82), thus creating knowledge of all military air and sea traffic within the area covered by NATO Integrated Air Defence System (NATINADS).

Furthermore, the CRC in Keflavík shares digital primary radar data on air traffic with Icelandic civilian air traffic controllers. Without this, civilian air traffic controllers would only be able to see aeroplanes that send automatic signals to secondary radar. Other traffic, i.e. non-allied military flights, would remain unseen (Icelandic Defence Agency, 2010, p. 85) causing possible danger to civilian air traffic.

Following the U.S. departure in 2006 the Keflavík CRC was integrated into European NATO Combined Air Operations Centres (CAOCS) in the NATO defence structure. Initially, in September 2006 to CAOC-3 in Reitan, Norway and later to CAOC-9 in High Wycombe in the English Midlands. Work began to integrate IADS into NATINADS in August 2007 and the Keflavík CRC was reassigned to CAOC-F in Finderup, Denmark (Icelandic Defence Agency, 74). Following the deactivation of CAOC-F in 2013, the Keflavík CRC was yet again reassigned and this time to CAOC Uedem-U in Uedem, Germany (Commander of Keflavík Air Base, 2014).

One of the major functions of Keflavík base during the Cold War was to monitor Soviet activity around Iceland. Before the end of the Cold War Soviet military flights into the North Atlantic were commonplace. Between 1962 and 1973 fighter jets from the 57th Fighter Interceptor Squadron based at Keflavík base intercepted over one thousand Soviet aircraft (INA, 1974). In the 1980s the number of Soviet military flights continued to rise with an average of 126 planes intercepted each year (Jónsson, 1990, p. 74). In the early 1990s, following the collapse of the Soviet Union, Russian military flights within the Icelandic Military Air Identification Zone (MADIZ) declined sharply and petered out in 1991. At the turn of the century, Russian military planes consisting of Cold War era Tupolev-95 were again spotted within the Icelandic MADIZ. A single flight of two planes was reported in 1999 (“Birnis á flugi,” 1999) and again in 2003 (“Tvær rússneskar vélar inn á loftvarnarsvæðið,” 2003). With the closure of Keflavík base and the departure of U.S. military personnel from Iceland regular Russian military flights into the North

Atlantic resumed and continued with regular intervals during the time period 2006-2013.



Figure 1 Russian military flights and aircrafts within the Icelandic MADIZ 2006-2013 (Icelandic Coast Guard, 2014).

Figure 1 shows the total number of Russian military planes, and flights, within the Icelandic MADIZ, renamed NATO Air Policing Area following the closure of Keflavik base. Ten of these flights have been circular flights around Iceland with a minimum distance of 35 nautical miles from land (Icelandic Coast Guard, 2014). The frequency of these flights is still far below what it was during the Cold War era, but their presence in the skies around Iceland is in stark contrast to the 1990s and early 2000s and shows renewed flexing of Russian military power in the North Atlantic. The flights mimic those flown by the Soviet nuclear strategic force during the Cold War:

We have simply opened old Soviet military manuals from the Cold War and seen that they haven't changed a thing. They have been practicing cruise missile attacks on targets on land. They have clearly been exercising cruise missile attacks on NATO HQ, SHAPE, and targets in Germany, Norway, and Iceland, as well as flying down to the U.S. eastern seaboard. They have also been exercising anti-submarine warfare. It's the whole package. They fly past Iceland and head south towards Europe (Senior official Ministry for Foreign Affairs, 2013).

The reappearance of Russian military flights is not simply a Cold War echo repackaged in a veil of Russian national interests there is also some risk involved for civilian air traffic crossing the Atlantic. The Russian military authorities do

not inform Icelandic air traffic control services of their flight plans; neither do the Russian bombers send signals to secondary radars used by Icelandic air traffic controllers or answer to radio communication (Icelandic Defence Agency, 2010, p. 84). The risk of a mid-air collision between a passenger plane crossing the Atlantic and a Russian bomber are low but there have been instances when civilian air traffic has had to be redirected because of nearby Russian bomber flights:

The Russians came in 2008, when the French were here [Air Policing mission] and they flew up and across traffic. There were number of instances which we would register as incidents, because they [Russian bombers] were that close to the middle of air traffic. We forwarded the information [to Icelandic civil aviation authorities]. There has been more than one incident. Especially in the south-east corner [of Iceland] and Icelandic civil aviation authorities have directed traffic above and to the side of the area (Technical crew chief IADS, 2014).

In these instances, it is the role of the CRC in Keflavík to identify and track the planes and relay information about their flights to the CAOC in Uedem. It is then up to air defence controllers in that particular CAOC to decide from where to scramble fighters to intercept the bombers (Icelandic Defence Agency, 2010, pp. 83-84). If the Russians fly close to Norway on their way to Iceland, Norwegian fighters are scrambled from their bases in Norway.

The linkage between the CRC in Keflavík and CAOC Uedem, Germany is integrated. NATO units deployed in Iceland for NATO air policing missions include air defence controllers who direct the fighter planes from Keflavík CRC. Of course, NATO air policing is carried out at the request of and on the behalf of the Icelandic government but tactical control is in the hands of foreign military personnel that operate within a joint NATO command structure and work according to NATO rules and procedures. In the event that fighters from Keflavík need to intercept military flights within the so-called Icelandic NATO Air Policing Area an authorization needs to be given by CAOC Uedem (Commander Keflavík Air Base, 2014). NATO members have tasked SACEUR to conduct air policing on their behalf, and this is executed by the NATO chain of command following strict Rules of Engagement (ROE) in consultation with the nation in whose air space an incident potentially occurs.

The first steps towards mounting NATO air policing missions takes place at Supreme Headquarters Allied Powers Europe (SHAPE), during NATO Force Generation Conference held in the first week of November each year (Icelandic Defence Agency, 2010, p. 87). During the event individual NATO member announce participation in NATO missions and their contribution. Among those missions advertised is Air Surveillance and Interception Capability to meet Iceland's Peacetime Preparedness Needs (Commander Keflavík Air Base, 2014). The missions

are the responsibility of and conducted on behalf of NATO although individual member states send personnel and equipment to conduct air policing in Iceland. NATO standard AJP4.5, titled: Allied Joint Doctrine for Host Nation Support, describes the six phases that must be completed before NATO military forces can arrive in Iceland to participate in air policing:

1. A Memorandum of Understanding is negotiated within SHAPE, outlining the overarching principles for provision of Host Nation Support between NATO Strategic Commands the Sending Nations and the Host Nations;
2. Within SHAPE a Host Nation Support Request is drafted, summarising the need for Host Nation Support and outlines the scope of the desired arrangement. The Host Nation is then expected to respond to the Host Nation Support Request before moving on to discussions with the designated NATO Commander on needed Host Nation Support Arrangements;
3. Combined Joint Statement of Requirements is then sent from SHAPE to the host nation outlining the required support needed by the sending nation. It covers facilities, transportation, security, telecommunication etc.;
4. A Joint Implementation Arrangement between the Host and Sending Nation is developed. A bilateral agreement between the Host Nation and individual Sending Nations, obligating the signatories to provide the financial and other resources detailed within the agreement;
5. Statement of Requirement is then developed. Its purpose is to take the planning process from the generic to the specific: identifying what forces need to be supported, it shall include all Host Nation Support needed by the Sending Nation forces;
6. The Statement of Requirement is then annexed to a Joint Implementation Arrangement which outlines in detail the procedures and concepts underpinning available Host Nation Support. The Joint Implementation Arrangement includes a list of all nations participating in the military activity (NATO Standardization. Office, 2013, pp. 3-1 - 3-8 and Commander Keflavík Air Base, 2014).

Although the procedure laid out in NATO standard AJP-4.5 is the standard method of preparing for Air Policing missions in reality only three of these steps are taken when preparing for Air Policing missions in Iceland (Icelandic Defence Agency, 2010, pp. 88-89): (1) The Office of Defence at the Icelandic Ministry for Foreign Affairs and Commander Allied Joint Force Command Headquarters Brunssum (JFC Brunssum) sign a memorandum of understanding concerning the provision of Host Nation Support to the visiting NATO countries air forces, (2) The Defence Department and JFC Brunssum sign a Technical Agreement on Host Nation Support and implementation of Air Policing and (3) the Icelandic

authorities and each Sending Nation develop a Joint Implementation Arrangement which is based on the existing Technical Agreement.

Table 1 Contributing nations in NATO Air Policing in Iceland 2008-2013 (Icelandic Coast Guard, 2013).

NATO Air Policing Missions in Iceland 2008-2013			
2008	France	France	U.S.
2009	Denmark	Norway	U.S.
2010	Denmark	Germany	U.S.
2011	Canada	Norway	U.S.
2012	Germany	U.S.	Portugal
2013	Canada	Italy	U.S.

In the spring of 2008, the first NATO Air Policing Mission took place in Iceland. The Sending Nation was France which deployed four Mirage 2000 fighters from the French Air Force. Followed by a U.S. Air Policing mission in September that same year.

Between 2008 and 2013 three periodic deployments took place a year, each lasting five to six weeks. The U.S. has filled one slot a year while Canada, Denmark, France, Germany and Norway have filled two slots each with Portugal and Italy covering the remaining two slots. Before the departure of U.S. forces from Keflavík Iceland enjoyed a year round air defence provided by the F-15 fighters stationed at the base and three periodic deployments a year is a far cry from permanent stationing of fighters in Iceland. The Baltic States (Estonia, Latvia and Lithuania) are also provided with regular NATO Air Policing missions; however, their coverage is continuous and there are voices within the Icelandic public administration that have argued for increased coverage:

We had a clear claim to ask for full coverage like the Baltic states, perhaps it was a mistake not to do so, and end somewhere in between. This current arrangement is not acceptable as there can be up to six months between deployments. [...] The arrangement is four slots [deployments a year] but we have never used the fourth slot. There have only been three missions a year since we didn't think we could support four slots after the banking crisis [autumn 2008]. A tradition has formed around three missions a year, and we haven't requested any increase. But this is not an acceptable arrangement as we do not have adequate air defences (Senior official Ministry for Foreign Affairs, 2013).

This view from within the Ministry for Foreign Affairs draws attention to the problem of costs a dilemma accentuated by Iceland's smallness, although, the brunt

of the costs associated with each air policing slot is the responsibility of the Sending Nation. The average cost to the Icelandic government for each air policing mission is roughly €77,000 (Senior official Ministry for Foreign Affairs, 2013) that is mostly imbursement for local transportation, increased security measures at Keflavík airport as well as payments to the national airport and air navigation service provider ISAVIA for ground services,

4.2. NATO facilities in Iceland

Through the decades a number of defence projects were funded in Iceland. While the initiative was in the hands of the U.S. authorities, the projects were carried out with consent from their Icelandic counterparts (Icelandic Defence Agency, 2010, p. 66), and their funding was either in the hands of the U.S. government, NATO or both. The facilities and equipment in question differ in size and shape. From harbour and airport facilities to radar communication sites and fibre optic cables. Until 2007 the United States had represented Iceland within the NATO Infrastructure Committee, today known as the NATO Security Investment Programme, but in light of changed circumstances the government of Iceland took over that role and began to contribute to the NATO Security Investment Programme (NSIP), a requisite for Host Nations to receive NATO common funding for defence infrastructure.

During the hand over process in 2006, base and airport facilities were categorized into two separate groups according to their source of funding: U.S. owned and those in NATO inventory. The two sides reached an agreement for handover of U.S. facilities; and both governments decided to jointly recommend to NATO that Iceland would assume Host Nation responsibility for all NATO funded facilities in Iceland (Ministry for Foreign Affairs, 2006, p. 13). As an interim arrangement the U.S. government continued its User Nation role for NATO infrastructure, pending a decision by NATO on the final disposition of these facilities. However, following U.S. notification to NATO military authorities that the United States no longer required the use of these facilities that interim arrangement could not exceed twelve months.

In the summer of 2008, the Ministry for Foreign Affairs published a definitive record of all NATO facilities in Iceland (Government Gazette, 2008). In short, these facilities were divided into three categories: (1) various facilities located within the Keflavík airport area, (2) IADS facilities and equipment and (3) Helguvík harbour facilities and oil depots that supply Keflavík airport with jet fuel through a 5.5 km long pipeline. Of course, Keflavík airport has always served as a dual military and civilian airport, while IADS and Helguvík harbour were a part of an extensive investment program in the 1980s carried out by the U.S. military but financed by NSIP.

Defence investment in Iceland funded with U.S. taxpayer's money or NATO funds has been substantial. In 2007 NATO valued its own contribution at €550 million.

Of which €300 million had gone towards civil work projects with the remaining €250 million earmarked for IADS (NATO Security Investment Programme, 2007). However, the total value of IADS was set at €385 million (Icelandic Coast Guard, 2006), the discrepancy of €135 million accounts for direct U.S. investment towards IADS.

The previously mentioned list (Government Gazette, 2008) of NATO infrastructure covers 187 facilities of which 46 were in a deletion process from the NATO inventory at the time of its publication. Of the remaining 141 facilities, a number of those within Helguvík harbour and Keflavík airport have been leased out to third parties. In turn, the leaseholders are responsible for maintaining the facilities but NATO retains a first user right.

There are a number of buildings owned by NATO within our area. They are either used by us, unused or leased out to ISAVIA. We [Icelandic authorities] have also leased out the NATO oil depot in Helguvík harbour, which is a substantive facility. We saw right from the start that we would never be able to maintain Helguvík. The defence force had already leased out the harbour facilities to Reykjanes municipality and we simply continued with that arrangement. The oil depot was later leased out to Ólíudreifing, and the income is used to finance supervision of the contract: making sure that Ólíudreifing performs required maintenance (Commander Keflavík Air Base, 2013).

Ownership of works funded by NSIP is not fully defined. Indeed, installations financed under common NATO infrastructure are the responsibility of the relevant Host Nation but NATO "...has the right to use works that have been accepted into the NATO Inventory and the right to reimbursement of the residual value of NATO Security Investment Programme funded works that are deleted from the inventory" (NATO Office of Resources, 2011, pp. 256-257). However, costs incurred from maintaining and scrapping NATO facilities taken off the NATO inventory list have exceeded any residual value owed to NATO (Icelandic Permanent Delegation at NATO, 2014). Therefore, during the time period covered by this thesis the government of Iceland has not had to reimburse NATO for any infrastructure NSIP has funded in Iceland.

4.3. National Security Authority Iceland

Membership of a military alliance calls for a collective framework for security standards and procedures that ensure a common degree of protection for classified information. Therefore, the third set of tasks that the Icelandic authorities fully assumed after the U.S. departure was the implementation of NATO security standards and procedures to guard classified information. The North Atlantic

Council security policy document C-M(2002)49 obligates NATO member states to establish a National Security Authority (Icelandic Defence Agency, 2010, pp. 47-48) whose responsibilities are as follows:

1. Preserve the security of NATO classified information in national organizations;
2. Carry out regular inspections of security arrangements intended for protection of NATO classified information in all national organizations;
3. Perform security checks on individuals before they are granted security clearance;
4. Ensure that national security plans are in place to prevent NATO classified information from falling into unauthorised or hostile hands; and
5. Grant the establishment or disestablishment of central national registries.

Classified information includes information or material determined to require protection against unauthorized disclosure that has been so designated by security classification. Classified information does not only include written information and/or data gathered from NATO data systems but also buildings and equipment.

Each member state National Security Authority competence is regularly monitored by the NATO Office of Security⁶ through regular inspections (Icelandic Defence Agency, pp. 48-52). These inspections focus on: (1) Personnel Security, reliability of individuals with access to classified information; (2) Physical Security, physical protection in place at facilities containing information requiring protection; (3) Security of Information, overall defensive measures intended to identify and prevent loss of classified information and (4) Industrial Security, application of defensive measures to prevent the loss of classified information that has been devolved to private sector actors for contractual reasons, for example in connection with construction work on a classified facility. Further, the NATO Office of Security investigates, in cooperation with the National Security Authority, instances of lost or compromised NATO classified information.

4.4. Implementation of defence tasks prior to 2006

In accordance to the 1951 Defence Agreement the U.S. government was responsible for the defence of Iceland on behalf of NATO. Therefore, the U.S. maintained assets and personnel in the country to provide Iceland with defences. In addition, the U.S. served as a Host and User Nation for all NATO facilities in Iceland, and shared

⁶ “The NATO Office of Security is a distinct body responsible for coordinating, monitoring and implementing NATO’s security policy, for overall security within NATO and for the NATO Headquarters Security Service” (NATO Encyclopedia, 2016, p. 295).

some of the responsibilities of a domestic National Security Authority with the Icelandic authorities.

Of course, the U.S. government did not perform these tasks in a vacuum. NATO facilities existed throughout the country and important components of IADS were outside the Keflavík base area. Therefore, an Icelandic quasi-governmental agency, the Radar Agency (Ratsjárstofnun), was involved at the operational level. The role and function of the Radar Agency is crucial to understanding the implementation of Icelandic defence organizational processes prior to 2006. Consequently, the focus of interest in the following discussion is very much slanted towards this agency.

The Radar Agency traced its origins to a decision by the U.S. government in the early 1980s to scrap the previous Icelandic air defence system that dated with modifications from the early 1950s (Jónsson, 1990, pp. 70-71). Previously, all technical aspects of air surveillance as well as air policing around Iceland had been in the hands of the U.S. defence force but by the 1980s the government of Iceland decided that it should be more involved in implementing the national defence of Iceland. In June 1985, a Radar Committee (Ratsjárnefnd) was established within the Office of Defence at the Ministry for Foreign Affairs. The Radar Committee was tasked with making a study of how the Icelandic authorities could collaborate with the defence force in operating and maintaining the new radar stations (Radar Agency, 1994, pp. 6-7) although the U.S. government would pay for its daily operation and maintenance, in accordance to the 1951 Defence Agreement.

In May 1987 the Radar Agency became active as a sub-structure within the Office of Defence at the Ministry for Foreign Affairs. At the same time the first group of Icelandic radar technicians were being trained in Iceland and the United States (Radar Agency, 1994, p. 7). In April 1989 the Radar Agency took over the operation of telecommunication and radar equipment on the radar stations in Stokksnes (H-3) and Miðnesheiði (H-1A) and those on Mt. Bolafjall (H-4) and Mt. Gunnólfsvíkurfjall (H-2) when becoming operational in January 1992.

By 1994 the Radar Agency employed 62 people at its radar stations and main office in Reykjavík. So far so good; there was just one problem. The Icelandic Parliament never created a legal framework for the agency nor did any government minister define its role and function. In February 1988, Foreign Minister Steingrímur Hermannsson briefed Parliament about imminent legislation for the Radar Agency (Ministry for Foreign Affairs, 1988, p. 46), but no bill was put before the 1987-1988 Parliament. As Parliament reconvened the following autumn a new left of centre government had taken over and nothing was heard of the proposed bill. In a 1988 review by the Icelandic National Audit Office Parliament was encouraged to establish a legal framework for the Radar Agency since:

The activity of the Radar Agency has increased, and it is apparent that it will continue to do so when two new radar stations will be made operational. It is the view of the

inspectors of the State Auditor that such an extensive government activity shall be regulated (Icelandic National Audit Office, 1989, p. 11).

Instead of operating within an Icelandic legislative framework the tasks and procedures of the Radar Agency were defined in an annual renewable contractual agreement, Performance Work Statement, between the Radar Agency and the U.S. Navy Naval Facilities Engineering Command Atlantic, headquartered in the United States at Norfolk, Virginia.

Discussions regarding the yearly Performance Work Statement took place between the Radar Agency and the U.S. Navy with a representative from the U.S. Air Force (Böðvarsson, 2014b) as the Radar Agency was funded by the U.S. Air Force in Langley Virginia. Despite the lack of an Icelandic legal framework both governments of the United States and Iceland regarded the agency as a government entity (United States Navy Naval Facilities Engineering Command, 2005, pp. A-1) as disputes between the Radar Agency and the U.S. government were a bilateral matter between the government of Iceland and the government of the United States:

All differences between the Radar Agency and the US relating to the interpretation of application of this contract shall be settled by negotiations between the Radar Agency and the US without recourse to judicial forums. Contractual differences which cannot be settled by direct negotiations between the US contracting Officer and the Radar Agency shall be referred to the Icelandic-United States Defence Council. Disputes not resolved by the Defence Council shall be resolved in negotiations between the United States Department of State and the Ministry for Foreign Affairs of Iceland. The Radar Agency and the US shall exert their best efforts to resolve disputes at the lowest possible level (United States Navy Naval Facilities Engineering Command, 2005, pp. A-7).

Why the government did not go through with legislation in 1988 or any subsequent government for that matter is hard to say. Until the final days of Keflavík base the Radar Agency was included in the Icelandic government budget (Parliament, 2006, pp. 430, 433), namely, in its B section, which deals with state owned enterprises expected to rely partly or fully on sales of goods or services.

What the Radar Agency was, or was not, did cause some confusion within Icelandic public administration. In August 1998 the Ministry of Finance saw fit to inform the director for defence at the Ministry for Foreign Affairs that since the Radar Agency was defined in the government budget as a state entity its vehicles would from now on be defined as state owned. Furthermore, the director was reminded that state purchase of vehicles was prohibited without prior consent from the Ministry of Finance (Ministry for Foreign Affairs, 1998). According to the former director of the Radar Agency, nothing came of this bid by the Ministry of Finance to claim ownership over Radar Agency property (Böðvarsson, 2014a).

Radar Agency vehicles continued to be imported without any tariffs or import charges on the basis of the defence agreement and later resold through the defence force surplus sale in Reykjavík, as any other defence force civilian surplus equipment.

The ambiguity was brought to an end two years later when Parliament passed a law regulating the implementation of certain aspects of the 1951 Defence Agreement (Parliament, 2000). Although the first piece of Icelandic legislation to mention the Radar Agency the law did only go so far as to state that “Furthermore, the activities of the Radar Agency shall be exempt from taxes and charges in the same way [as the defence force].”

While functioning outside of an Icelandic legal framework its work was rigidly regulated and monitored by the U.S. Air Force. The Performance Work Statement defined Radar Agency responsibilities as to:

1. ...furnish all supervision, management, administration, transportation, logistics support, training and office equipment needed to maintain the Iceland Air Defence System (IADS) hardware and software and operate and maintain communication-electronic (C-E) equipment at the radar sites...
2. ...[be] responsible for furnishing personnel required with the necessary skills and qualification to operate, maintain and repair the facilities, equipment, and software as described herein...
3. ...provide for the management, maintenance, security and logistic support of the power production equipment, roads and other unpaved areas, facilities, real property, real property installed equipment and grounds as specified herein for each radar site.
4. ...provide all organizational, intermediate, and depot level maintenance support for the IADS, to include sustaining engineering for the Control and Reporting Center (CRC) (AN/FYQ-137), Iceland Software & Support Facility (ISSF) (AN/FSM-67), and the Remote Radar Head (RRH) communication suite (AN/FRY-1(V)1&2), external links and connections... [and] provide all organizational and intermediate level and maintenance and support for the AN/FSP-117 radar.
5. [be]...responsible for security of the hardware and software resources under their direct control. Access to the CRC and ISSF facilities will be limited to essential personnel as determined by the Commander, 932 ACS [Air Control Squadron].
6. [make] all Radar Agency or subcontractor technical documentation available for US Government review upon request...
7. ...comply with the technical requirements of the US Government representative, ACC Program Management Squadron... (United States Navy Naval Facilities Engineering Command, 2005, pp. C-1, C-2).

The Radar Agency was thus responsible for the day to day system maintenance and support services to IADS and radar sites outside Keflavík base. Furthermore, as paragraph e) states the Radar Agency was responsible for information security and industrial security of the hardware and software under its direct control. While physical security of the CRC and ISSF was in the hands of base military authorities' physical security of the radar sites outside the base were in the hands of the Radar Agency,

Responsibility for personnel security was a bit more complicated. Within Keflavík base a component of the defence force, the 932 ACS, reserved the right to determine what essential personnel were allowed access to the CRC and ISSF but it remained the responsibility of the Radar Agency to provide its staff with NATO security clearances (Former senior official Radar Agency, 2013). Requests for vetting and issuing of security clearances went from the Radar Agency to the Office of Defence at the Ministry for Foreign Affairs which forwarded the request for processing to the National Commissioner of Police responsible for vetting and providing Icelandic government employees with NATO security clearances.

Other aspects of the day to day workings of the Radar Agency showed the same levels of symbiotic cooperation. The internal quality assurance system (paragraphs f) and g)) was monitored to ensure that the quality of services, workmanship and material complied with U.S. standards by U.S. government representatives. Meanwhile, the financial records of the Radar Agency were reviewed annually by separate auditors from the Icelandic government and the U.S. government (United States Navy Naval Facilities Engineering Command, 2005, pp. A-6, A-9).

The Performance Work Statement was also a two-way agreement, and on its behalf the U.S. government committed itself to:

1. ...determine the employment of all C-E hardware and software and reserves all operational decisions relative to data affecting systems operations, or data derived from systems at the CRC, ISSF and radar sites, and retains full responsibility for the initiation of any action resulting from such decisions...
2. US Government exercises will be programmed to provide minimum interference with Radar Agency O&M responsibilities, however, facility access for US Government personnel to the radar sites will be required during these periods.
3. The US Government is responsible for CRC and ISSF facility maintenance and emergency generator operations and maintenance (United States Navy Naval Facilities Engineering Command, 2005, pp. C-2).

Under heading 1 the U.S. government took responsibility for the system hardware and software as well as its data usage. Furthermore, paragraph c) obliged the U.S. government to maintain the CRC and ISSF facilities – the nerve centres of the IADS

system. Indeed, it was also the responsibility of the U.S. government to provide the Radar Agency with all material, i.e. spare parts, hardware, software etc., and the use of the U.S. government supply system to maintain the IADS system (United States Navy Naval Facilities Engineering Command, 2005, pp. C-9).

4.5. Conclusion

From 1951 the U.S. military was responsible for providing Iceland with military defences on the basis that Iceland did not have its own military capabilities. From a Neorealist perspective, Iceland successfully bandwagoned with a larger power but that cooperation cut far into Icelandic sovereignty, after all, The U.S. military funded and was responsible for the day to day function of Iceland's international airport and financed important infrastructure projects within Keflavík airport in the 1970s and the 1980s. In addition, the helicopter rescue squadron stationed at Keflavík base to service U.S. military personnel flew regular non-military rescue mission at the request of the Icelandic Coast Guard until the base closed in 2006 and the Coast Guard, to an extent, became dependant on seeking assistance from the rescue squadron in case of long-range flights.

It was not until the early 1980s that an Icelandic government entity became involved in the day to day operations of the defence force by providing technical service to IADS. However, despite the position of the U.S. and the Icelandic government that the Radar Agency was an Icelandic government agency it was funded by the U.S. Air Force and its work regulated by a yearly performance work agreement between the Radar Agency and the U.S. Air Force.

The 2006 base closure changed all that. The functions underpinning the implementation of an active defence policy were handed over to the government of Iceland: taking over the operation of IADS, responsibility for defence facilities, safeguarding those facilities and to set up a NATO air policing scheme to compensate for the departed U.S. forces. Although the 1951 Defence Agreement is still in effect the closure of Keflavík base was a fundamental change for the government of Iceland which was now fully responsible for the implementation of the national defence of Iceland.

As a result, the institutional ties with NATO were strengthened. The government of Iceland was now responsible for maintaining and operating NATO infrastructure in Iceland which in turn required that Iceland began to contribute financially to NSIP and participate in relevant committee work to ensure funding from the programme. The most important NATO defence infrastructure in Iceland, the IADS system, was now the responsibility of the government of Iceland which had to set up linkages with relevant NATO agencies in Europe and regular Air Policing missions. Today Air Policing and air defence in Iceland is fully integrated with NATO command

centres in Europe and tactical command is in the hands of personnel under a NATO chain of command in Keflavík and Uedem in Germany. From the perspective of Institutionalism, the importance of NATO as the second pillar in Iceland's security policy has strengthened as a counterbalance to the weakening of the first pillar, i.e. the defence relationship with the U.S. following the removal of U.S. forces from Iceland.

5. The closure of Keflavík base

5.1. The impact of the defence issue on domestic politics

Before delving into the eventual base negotiations that resulted in the 2006 closure of Keflavík base it is necessary to briefly outline the nature of the Icelandic political party system and what positions the dominating parties have had towards U.S. defence cooperation and Icelandic membership in NATO.

The Icelandic 19th and early 20th century political party system was largely shaped by Iceland's relationship with Denmark and the move towards self-determination and eventual sovereignty (Harðarson, 2002, p. 107). With the 1918 Union Act Iceland became set on a trajectory that would lead to full independence. In the late 1910s the political party system began to tilt towards traditional class politics centring on economic and social issues. During a 15-year period the four major parties were formed that would dominate the Icelandic political scene throughout the 20th century. In 1916, the Social Democratic Party (Alþýðuflokkur) and the agrarian Progressive Party (Framsóknarflokkur) were established. Followed In 1929 by the creation of the conservative Independence Party (Sjálfstæðisflokkur), and the Communist Party (Kommúnistaflokkur Íslands) in 1930. The Communist Party evolved into the United Socialist Party In 1938 (Sameiningarflokkur alþýðu-Sósíalístaflokkurinn), which in turn transformed into the People's Alliance (Alþýðubandalagið) in 1956.

The Social Democratic Party, unlike its sister parties in other Nordic countries, was never able to gain a dominating position in the Icelandic political landscape. As a political outgrowth of the Icelandic labour movement it represented traditional working-class interests. After initial success in the 1920s and 1930s, its electoral support stagnated below the 20 percentiles and the party was never able to propel to the forefront of Icelandic politics. A major realignment on the left wing of the spectrum took place in 1999 with the merger of four left of centre parties into the Social Democratic Alliance (Samfylkingin). The intent was to consolidate the left into a single block to counter the Independence Party that has historically represented a united right of centre front.

With the merger of the People's Alliance and the Social Democratic Party into the Social Democratic Alliance, a splinter group from the People's Alliance formed the Left Green Movement (Vinstrihreyfingin grænt framboð). Overshadowed by the Social Democratic Alliance the Left Green Movement gained initially 9% of the electoral votes rising to 14.3% in the 2007 Parliamentary elections. Two years

later, following the 2008 financial crisis, the Left Green Movement carried through its biggest Parliamentary electoral victory by winning 21.7% of the electoral votes.

The agrarian Progressive Party has traditionally been the second largest party in Parliament. Malapportionment in the Icelandic electoral system has benefited rural constituencies in Iceland translating into disproportionate electoral Progressive Party gains (Harðarson, 2002, pp. 150-151). In the post-war decades the Progressive Party could rely on 20-30% of the electoral votes but its electoral base has gradually eroded through urbanisation as people migrated from the rural constituencies to urban areas. To compensate for its dwindling rural electoral base the Progressive Party has branched out to urban voters (Kristjánsson, 1994, pp. 154-155). Historically, this has translated into a necessity for the Progressive Party leadership to be able to form coalition governments with parties either to the left or right on the political spectrum

Compared to the Progressive Party and the Social Democratic Party, the conservative Independence Party was a relative late comer on the political scene. The Independence Party has combined conservative and liberal elements (Harðarson, 2002, p. 108) while drawing on working class support. The centre right wing of the political spectrum has been united within the Independence Party thus securing the party 30%-40% of the electoral votes.

Despite the dominance of the four-party structure a peculiarity of the political system has been the continuous emergence of a single issue fifth party. Usually inhabiting the political system only for a brief period (Kristinsson, 2007, pp. 108-109), such parties usually championed a popular single issue with a broad appeal to the electorate. However, after their initial success, the established parties would often adopt their policies, thus depriving them of their uniqueness. For instance, such was the fate of the nationalistic and anti-communist National Preservation Party (Þjóðvarnarflokkurinn). After moderate success in the 1953 Parliamentary elections by capitalising almost solely on opposition to the Keflavík base the National Preservation Party garnered 6% of the vote and two members of Parliament. (Nuechterlein, 1961, p. 122). However, as the Social Democratic Party and the Progressive Party adopted an anti-base position prior to the 1956 election the National Preservation Party lost its electoral support and its representation in Parliament.

Since the establishment of the Icelandic republic in 1944, the defence relationship with the United State and later membership of NATO has had a decisive influence on the Icelandic domestic political scene. As the victors of the war began to drift apart it became apparent to the leaders of Iceland's three major political parties – excluding the communists – that Iceland needed western defence guarantees to compensate for its vulnerabilities. In the winter of 1948-1949 the coalition government, led by the Social Democratic Party watched from afar attempts by Norway, Denmark and Sweden to form a Scandinavian defence alliance. Although the Icelandic

government followed developments with interest, its usefulness to Iceland appeared doubtful since within such a security arrangement Iceland would always remain at the periphery. Eventually a fundamental difference about what role the United States should have vis-à-vis a Nordic defence alliance turned the discussions barren.

In the winter of 1948-1949 it was not surprising that the Icelandic government proved receptive to U.S. overtures on Icelandic participation in a U.S. led defence alliance. Tentative discussions about this future military alliance took place between Ambassador Butrick and Foreign Minister Benediktsson but the decision to join had to be agreed upon by all members of the ruling coalition government. Therefore, the Icelandic delegation that convened with Secretary of State Dean Acheson and his staff at the State Department in Washington D.C. in March 1949 consisted of influential political figures from each of the three coalition parties: Foreign Minister Bjarni Benediktsson, Independence Party; Minister for Commerce Emil Jónsson, Social Democratic Party; and Minister for Education Eysteinn Jónsson, Progressive Party. The three parties represented a unified front during the negotiations, but it is necessary to separate Icelandic NATO membership from the more politically explosive issue of U.S. military presence in Iceland that would cause internal division within the Progressive Party and the Social Democratic Party.

The division was already apparent during the 1946 Parliament vote on the Keflavík Agreement that gave the United States the right to continue to use Keflavík airport for military transit flights. Opposing the agreement at the time was the leader of the Progressive Party, Hermann Jónasson, who argued for a complete Icelandic take-over of Keflavík airport. However, he was countered by a large faction within his own party in favour of the agreement. Hermann Jónasson's reluctance for closer defence ties with the United States remained in 1949 as he abstained in the Parliamentary vote on NATO membership, supported by a small group within his own parliamentary group. Equally, the Social Democratic Party was not fully united in 1946 and 1949. While a majority of six Social Democratic parliamentarians voted in favour of the Keflavík Agreement two were in opposition while one abstained. A pattern that repeated itself three years later when the Social Democrats voted on whether to join NATO with two of its parliamentarians voting against membership.

The internal division within the Progressive Party and the Social Democratic Party can be explained by two fundamental reasons. As a recently independent nation Icelanders were sensitive to losing its newly gained independence to a foreign power and for many the Keflavík Agreement, and later, NATO accession were first steps towards greater dependency on the United States and erosion of Icelandic national identity. The second objection was closely related to the first one. After being drawn into the armed Western camp Iceland would not be able to avoid becoming a target in any future struggles between the United States and the Soviet Union. An anathema to those who wished for Iceland to remain out of harm's way

and adopt the same neutral status it had held after becoming a sovereign state in 1918.

Despite internal division among the Progressive's and the Social Democrats the break-out of the Korean War in 1951 proved to be the external catalyst that formed a consensus within the three major parties for the necessity to station U.S. military forces in Iceland (Ingimundarson, 1996, p. 223). The day before Parliament adjourned for the summer, 5 May 1951, Foreign Minister Benediktsson signed the defence agreement and introduced as a government bill when Parliament re-assembled in the autumn and passed with unanimous support by the Independence Party, the Progressive Party and the Social Democratic Party. While the three parties discussed and debated the defence agreement the socialists were intentionally left out in the dark.

Although the three parties had presented a united front in accepting U.S. forces in Iceland the decision was a crisis response. As the shock-waves that rippled from the Korean War receded opposition within the Progressive Party and the Social Democratic Party towards the defence agreement became more vocal. Following the 1953 elections the Independence Party and a weakened Progressive Party renewed their coalition government, but opposition to the defence agreement was emerging as a dominating issue on the political landscape.

In the run-up to the 1956 Parliament elections the Progressive Party moved to disengage itself from the Independence Party towards positioning itself as their main political rival (Kristjánsson, 1994, p. 154). The vision of the Progressive Party Chairman Hermann Jónasson harmonised well with the agenda of a new radical leadership within the Social Democratic Party. Therefore, the road was paved for the 1956 government of Progressive Party, the Social Democratic Party and the socialist People's Alliance whose foreign policy goal was to revoke the defence agreement and to extend unilaterally Iceland's territorial waters to 12 nautical miles in 1958. However, after the coalition collapsed the defence agreement receded into the background as a political issue following twelve years of Independence Party and Social Democratic Party coalition rule.

The issue of the defence agreement had not faded into political obscurity. Following the 1971 Parliament elections a coalition government was formed by the Progressive Party, People's Alliance and a splinter group from the People's Alliance, the Union of Liberals and Leftists (Samtök frjálslyndra og vinstrianna). The binding glue between the 1971-1974 coalition government was revision of the defence agreement and extension of Iceland's EEZ to 50 nautical miles. However, the parties disagreed on how far the revision should go. True to their 1956 position, The People's Alliance argued for its termination and an Icelandic resignation from NATO. Union of Liberals and Leftists championed terminating the defence agreement but for Iceland to remain within NATO. Meanwhile, the Progressive Party was divided in its position. Within the party a new generation of young

Progressives, more radical than its predecessors, was coming to prominence, and this faction championed the departure of the U.S. defence force while supporting continued Icelandic membership in NATO (Ingimundarson, 2002, p. 123). However, the coalition was unable to conclude the revision and after its collapse in 1974 the issue of whether foreign forces should be stationed in Iceland or not receded from the political arena.

In the late 1970s and onward the presence of U.S. military forces in Iceland became more accepted by the Icelandic electorate than in previous decades. By the early 1980s a survey on the attitude of Icelanders towards the Keflavík base revealed that 54% of those polled approved of continued U.S. military presence in Iceland while 30% disapproved with 16% remaining indifferent (Harðarson, 1985, p. 18). Indeed, the lack of interest among leaders of political parties traditionally opposed to the defence agreement, to exploit the issue for political gains is reflected in the fact that neither one of two left of centre governments (1978-1979 and 1989-1991) made a termination or revision of the defence agreement a policy issue.

While the defence cooperation with the U.S. and the presence of a U.S. military base in Keflavík could be debated on ideological grounds there were also material factors to consider as a driving force behind political party position to the defence force. As previously noted, in chapter four, the base itself gradually became a permanent fixture of the Icelandic domestic economy and the four main political parties had to be mindful of that fact. The base was an important source of employment for the communities in the Reykjanes region and large economic gains were to be had by private and public business interests. Reduced U.S. military presence at the base could translate into fewer votes at the ballot box for three of the four main parties. For the Independence Party as the party of business interests, the Progressive Party as the representative of rural constituencies and the Social Democrats as representatives of labour interests in Reykjanes region.

Apart from direct voter support there was also the issue of clientelism, whereby, the two major political parties, the Independence Party and the Progressive Party benefitted directly from economic activity of the defence force. Iceland Prime Contractors (ÍAV) is an example of such entanglement. ÍAV was formed in 1954 on the initiative of the Icelandic state and given monopoly over all construction work at Keflavík base. 50% of the company was owned by Sameinaðir Verktakar hf, which in turn was owned by influential members of the Independence Party. 25% was owned by Reginn hf which was a daughter company of Federation of Icelandic Cooperative Societies which in turn had close ties with the leadership of the Progressive Party and 25% owned by the Icelandic state (Árnason, 1991, pp. 258-259). In 1996 the government of Iceland decided to abolish the ÍAV monopoly and the company was given an adjustment period until 2003. The state would eventually sell all of its shares in ÍAV during a government privatization process completed in 2003.

5.2. The formation of an Icelandic base policy

The end of the Cold War heralded cutbacks and downsizing at the base as its strategic importance and that of Iceland, dwindled fast. With the Soviet menace out of the picture the United States government became increasingly concerned with cutting military expenditures. This altered reality was not lost on the Icelandic government and coming to terms with the immediate scaling down of U.S. forces at Keflavik base became a task for the 1991-1995 Independence Party/Social Democratic Party coalition government. While not announcing any revision of Iceland's defence policy in its government manifesto (Office of the Prime Minister, 1991) the two parties did agree that Icelandic security interests would be best served by maintaining the U.S.-Icelandic defence relationship and through continued Icelandic NATO membership.

But with mounting U.S. pressure it became clear that the government would have to devise a future strategy to counter U.S. reluctance to maintain Keflavik base in its current form. In March 1993 that strategy saw the light of day in a report published by the Ministry for Foreign Affairs on Iceland's defence policy. Commissioned and published by the Social Democratic held Ministry for Foreign Affairs, the report rejected Icelandic burden sharing at Keflavik base (Ministry for Foreign Affairs, 1993, pp. 46-47) and identified cost reduction as the Independence Party/Social Democratic Party coalition negotiation goal vis-à-vis the United States. The authors of the report set about gauging the views of the United States and the Icelandic government about the future of Keflavik base. Both sides agreed that savings could be made, but there was a clear difference of opinion (Ministry for Foreign Affairs, 1993, pp. 46-47). Already the United States had adopted the position that the way forward was a cost sharing scheme. An understandable position given that 40% of air traffic going through Keflavik airport was civilian.

Tentative discussions soon began that resulted in a 1994 MoU between the two sides. The MoU can be interpreted as a statement by the coalition partners about what tasks the Icelandic side viewed as essential and what reductions at Keflavik base they were willing to accept (Bjarnason, 2011, p. 305). In essence, the negotiated MoU (Ministry for Foreign Affairs, 1994) met the stated policy goal of the Independence Party/Social Democratic Party coalition by identifying those base functions to be continued and what could be made redundant. Without incurring additional costs on their Icelandic host, the defence force would remain with the Icelandic government laying down red lines that made it possible to declare that the defence agreement remained valid as long as the United States retained those capabilities spelled out in the MoU.

The 1994 MoU reiterated the soundness of the 1951 Defence Agreement although the number of fighter jets would be reduced to four. U.S. intentions to reduce costs had been made clear but any broader concerns about its closure appeared to have been quenched. The pro-government Icelandic daily *Morgunblaðið*

proclaimed “Equity in decision making acknowledged” (“Jafnræði í ákvarðanatöku viðurkennt,” 1994), while the base own weekly journal, *White Falcon*, announced in more sombre tones that “U.S./Iceland talks render decision. U.S. forces to remain, with some changes” (“U.S./Iceland talks render decisions,” 1994). In April 1996 the two governments renewed the MoU for further five years, by which time the two governments would have to reconvene again.

Following elections in the spring of 1995, the Independence Party and the Progressive Party formed their first of five consecutive coalitions creating the longest serving political partnership in Icelandic political history. Attributing to this long streak was a strong leadership within the Independence Party led by Davíð Oddsson and the Progressive Party led by Halldór Ásgrímsson.

Davíð Oddsson first made his marks in Icelandic politics when at the age of 34 he led the Independence Party to victory in the 1982 Reykjavík municipal elections becoming mayor of Iceland’s capital, a post he would hold for nine years. In 1991, then vice-chairman of the Independence Party, Oddsson ran against and narrowly defeated the sitting chairman, Þorsteinn Pálsson in a leadership bid during the Independence Party National Conference. Less than two months later, despite not holding a seat in Parliament, Oddsson led his party to victory in the 1991 parliamentary elections that led to a coalition government with the Social Democratic Party. The Independence Party/Social Democratic Party coalition would only survive one term but Oddsson would go on to hold the position of Prime Minister continuously from 30 April 1991 until 15 September 2004 becoming the longest serving Prime Minister in Icelandic political history.

The circumstances surrounding Halldór Ásgrímsson’s ascension to power were less dramatic. A seasoned parliamentarian, Ásgrímsson was first elected to Parliament in 1974, and served as Minister of Fisheries 1983-1991 and Minister of Justice and Ecclesial Affairs 1988-1989 in previous Progressive Party led coalition governments. Elected party vice-chairman in 1980, Ásgrímsson became the natural successor at the 1994 Progressive Party national conference with 97% of the cast votes (“Halldór fékk 97% atkvæða,” 1994) when the outgoing Progressive Party chairman, Steingrímur Hermannsson, retired from politics.

In the 1995 Independence Party/Progressive Party coalition Oddsson retained the premiership and Ásgrímsson became Minister for Foreign Affairs, positions they would both hold until autumn 2004 when they swapped posts. In matters of defence the 1995 government stayed the same course already plotted by the Independence Party/Social Democratic Party coalition. It made no changes to previous government policy to the U.S.-Icelandic defence relationship (Office of the Prime Minister, 1995) and in negotiating for a second MoU with the U.S. on further cost reduction at Keflavík base in 1996 Foreign Minister Ásgrímsson did not deviate from the fundamentals of the 1994 MoU negotiated by the Social Democratic held Ministry for Foreign Affairs.

In matters of defence the Independence Party tended to be the more dominating partner in the coalition. The 1993 Independence Party National Congress manifesto was perfectly aligned with the government position. The manifesto identified the 1951 Defence Agreement as the core pillar of Iceland's defence policy and mirrored (Independence Party, 1993, pp. 7-8) key components of the yet to be negotiated 1994 MoU by defining Icelandic defence interests in terms of maintaining air defences and surveillance capabilities at the base as well as the 56th Rescue Squadron.

The Independence Party had always been a strong supporter of the U.S.-Icelandic defence relationship and Oddsson remained a key player at every round of defence negotiation, first as Prime Minister from 1991-2004 and then as Foreign Minister from 2004-2005. When the first news story broke in 1993 that Keflavík base might undergo extensive downsizing (“Mikill niðurskurður er fyrirhugaður í Keflavík,” 1993) Oddsson met in early August with Vice-President Al Gore in Washington D.C. (“Varnarstöð aðeins breytt í nánú samráði við Ísland,” 1993) and secured assurances that no changes would be made at Keflavík base without a prior consent from the Icelandic government. However, that meeting took place less than two years after the formal dissolution of the Soviet Union and the future of the former communist states of Central- and Eastern Europe remained uncertain. Therefore, it made sense for the United States to make moderate reductions at the base and accommodate the needs of its Icelandic negotiating counterpart.

Following the 1999 Parliamentary elections the Independence Party and The Progressive Party retained their parliamentary majority and formed their second coalition government. With 36 out of 63 Members of Parliament the coalition retained a strong majority (“Alþingiskosningar 1999 úrslit,” 1999). Davíð Oddsson retained his premiership and Halldór Ásgrímsson continued as Minister for Foreign Affairs. In matters of security and defence the renewed coalition did not present any forthcoming changes (Office of the Prime Minister, 1999) and the two parties retained the position that the U.S.-Icelandic defence relationship should continue to be the core of Iceland's defence policy. Although the 1999-2003 Independence Party/Progressive Party coalition wished to maintain the status quo events abroad made such a position harder to attain.

5.3. U.S. position towards Keflavík base

Downsizing at Keflavík base was clearly in line with a general United States policy to exploit the post-Cold War peace dividend. From 1989 to 1996 a score of U.S. bases in Europe were shut down while at the same time the number of United States troops stationed in Europe was cut from 325,000 to 100,000 (Douglas, 2008, p. 82). Keflavík base had survived the first rounds of U.S. base realignment but whether it would survive the coming rounds was questionable.

On 18 January 2001, George Walker Bush was sworn into office as the 43rd President of the United States and few days later he appointed Donald Rumsfeld as Secretary of Defence with a mandate to begin a comprehensive review of the U.S. armed forces. It soon became obvious to Rumsfeld that further troop reductions abroad were needed:

The way our forces were stationed overseas was so outdated. It was if they had been frozen in time for the decades since Berlin and Tokyo fell in 1945, the armistice halted the Korean War in 1953, and the Cold War ended in 1991. Of the quarter million troops deployed abroad in 2001, more than one hundred thousand were in Europe, the vast majority in Germany to fend off an invasion by a Soviet Union that no longer existed (Rumsfeld, 2011, p. 301).

With 532 U.S. military facilities spread throughout 16 European countries⁷ and funding for U.S. forces deployed in Europe rising between 1999 and 2001 from \$10.9 billion to \$11.8 billion Europe was identified as a theatre for further cost savings (Rumsfeld papers, 2001b) with Keflavík base singled out as a showcase of an antiquated defence posture. In late March 2001 Rumsfeld had his mind made up. Via e-mail, Rumsfeld informed Deputy Secretary of Defence, Paul Wolfowitz, that he was considering removing U.S. capabilities currently in Iceland as they had no other particular purpose than “...providing search and rescue for Iceland” (Rumsfeld papers, 2001a). The Department of State was not in agreement and on 11 July Rumsfeld complained to Secretary of State Colin Powell that:

DoD [Department of Defense] has been trying for several years to reduce our presence [In Iceland]. However, we get resistance from Iceland, and then we get that resistance reflected back from the State Department (Rumsfeld papers, 2001c).

In his reply, Powell emphasised that the Department of State and Department of Defence shared the same objectives regarding Iceland. that in Powell’s mind were:

[1] to maximise the impact of our military presence in Iceland while [3] seeking to reduce that presence, [2] to obtain relief on U.S. – funded costs associated with purely commercial use of the Keflavik field and to [4] preserve access to the base while continuing our mutually beneficial relationship with this NATO ally (Rumsfeld papers, 2001d).

⁷ Those 16 countries included non-aligned Austria – home to one U.S. Air Force installation. The remaining 15 countries were all NATO members. Most of these facilities, 326, located in Germany (Rumsfeld-papers, 2001b).

Powell, furthermore, suggested that it might be more effective to separate talks about force composition, i.e. fighters, Search and Rescue, and support personnel, from actual renegotiation of the base agreement.

Clearly, the two departments differed in their policy. Indeed, the Department of State was mindful of the political consequences if Rumsfeld had his way. Four months prior to Powell's exchange with Rumsfeld, the U.S. ambassador to Iceland, Barbara J. Griffiths, advised Powell against removing the four remaining fighters from Iceland as that would be crossing a "red line" that the Icelandic government had drawn (Rumsfeld papers, 2001d). The resulting backlash, in her view, would lead the Icelanders to stop future cost-sharing talks dead in their tracks. Trying to get his view across, Powell attached Ambassador Griffiths' report to his reply to Rumsfeld with a note reading "PS – Don, see our Ambassador's letter (attached.) Lays out the case. Let's chat after you've read" (Rumsfeld papers, 2001d).

The ambassador's assessment that removing the fighters from Iceland would be unacceptable to the government of Iceland was accurate. Already the Icelandic Ministry for Foreign Affairs had made it a formal Icelandic position that Iceland should be provided with *minimum* defence capabilities in land, sea and air. Any force changes at the base would have to be negotiated between the two governments, in accordance to the 1951 Defence Agreement (Ministry for Foreign Affairs, 1999, p. 9). What minimum defence capabilities entailed was open to interpretation but with only four remaining fighters at the base the Icelandic government had in effect made its position clear: no further force reductions of U.S. military presence at the base.

In early August 2001, Secretary of State Colin Powell and the Icelandic Minister for Foreign Affairs, Halldór Ásgrímsson, met in Washington D.C. Among the issues touched upon was the upcoming renegotiation of the 1996 MoU. Regardless of the tug of war taking place behind the scenes between the two departments of Defence and State Powell gave no hint of further force reductions, and Ásgrímsson reiterated his government's position that current force levels provided Iceland with minimum defence capabilities ("Powell kynnti engar áherslubreytingar," 2001). But before the two sides had time to reconvene the United States was hit by the 11 September terrorist attacks. Now the Bush administration was faced with a radically altered security environment. The implications for the future of Keflavík base were twofold: in the short term, all negotiations between the United States and the Icelandic government were postponed indefinitely (Ministry for Foreign Affairs, 2002, p. 26). In the long run the incentive to pull forces and equipment out of Iceland was bound to gather pace.

As 2002 wound on the Bush administration became further engaged in the "war on terror" (Wolfe, 2008), but Keflavík base had not disappeared altogether from Rumsfeld's sight. In early December 2002 Rumsfeld fired off a memo to his Under Secretary of Defence for Policy, Douglas J. Feith, in which Rumsfeld argued in favour of removing the fighters from Iceland in light of U.S. commitments in Afghanistan

and possible future involvement in Iraq “If we can’t make a good argument for it now”, Rumsfeld wrote, “there is no time we can make a good argument” (Rumsfeld papers, 2002). Concluding, Rumsfeld suggested they send someone over from the Department of Defence to Iceland, since the Icelanders would not be able to meet in Washington D.C. until January 2003. The Department of Defence managed to squeeze in a late December meeting with Icelandic officials in Washington D.C. to notify them of U.S. intentions to remove the last remaining fighters the following spring. The announcement was not taken kindly by Prime Minister Oddsson who countered by telling the U.S. ambassador in Reykjavík, James Gadsden, that the removal of the fighters without a prior consent from the Icelandic government was tantamount to abrogation of the 1951 Defence Agreement (Ingimundarson, 2006, p. 47).

But this was not the first time the Prime Minister had hinted that the defence agreement would be at risk if the base would be closed. Publicly, he had done so in a 2001 newspaper interview (“Varnarstöð vegna hagsmuna beggja þjóðanna,” 2001), while privately, he made this point clear to President Bush during the 2002 NATO Prague summit (Rumsfeld papers, 2003a). After all, he could argue that it was not up to the Bush administration to decide the fate of Keflavík base. In 1951 the Truman administration had agreed that the Icelandic government should approve the number of military personnel stationed in Iceland (United States Department of State, 1951). Admittedly, this was designed at the time to prevent the United States from having a free hand in determining the upward-size of Keflavík base but for Iceland the argument stood: the defence agreement dictated that force composition and troop levels in Iceland were subject to approval of the Icelandic government.

Eventually on 2 May 2003, Ambassador Gadsden notified the Prime Minister and the Foreign Minister that the F-15’s would be removed that coming month (Ingimundarson, 2006, p. 48). Although the Icelandic government should not have been surprised, the announcement came as a shock (Independence Party, former member of cabinet, 2014b), perhaps more so because it arrived eight days before scheduled parliamentary elections in Iceland.

Still digesting that fateful announcement, Foreign Minister Ásgrímsson contacted NATO Secretary General George Robertson (Ingimundarson, 2006 and Bjarnason, 2008) who until now had been unaware of Rumsfeld’s decision. As luck would have it, Robertson was in Washington D.C. when he received the call. Later that day during a meeting at the White House with President Bush with Powell and Rumsfeld, in attendance. Robertson brought up the base issue in Iceland at which point it became apparent that the President had not been informed about the decision to remove the fighters. After being briefed President Bush handed it over to his National Security Advisor, Condoleezza Rice, without deciding on the matter. Eventually, the removal of the fighters was postponed until later that August by which time the decision was withdrawn. Robertson’s intervention thus frustrated Rumsfeld’s efforts and bought

the Icelandic government some time. For the Icelanders, the question was how to proceed. In a newspaper interview with *Morgunblaðið*, the Prime Minister attributed to National Security Advisor Rice a warning that although the fighters would stay for the time being; there was no guarantee that they would remain indefinitely in Iceland (“Fyrimælin ekki lengur í gildi um að þoturnar fari,” 2003).

When the blow came in spring 2003 that the U.S. government intended to remove its last four remaining fighter jets from Iceland, the leadership of the Independence Party/Progressive Party coalition had accumulated experience in fending off base reductions against three U.S. administrations. The U.S. decision had the potential of becoming a key election issue during Parliamentary elections in spring 2003. However, the government remained silent (“Allt eða ekkert,” 2003) and no leaks were made to the media. Although losing four seats in parliament, the Independence Party/Progressive Party coalition retained its parliamentary majority and the third consecutive coalition headed by Oddsson and Ásgrímsson was formed.

If the Icelandic government wished to retain the base the only way ahead was some sort of cost sharing scheme as proposed by the United States. After all, the Department of Defence was paying \$225 million for Keflavík base each year. With as much as half of that cost (\$121 million) going towards civilian air traffic support such as facility maintenance and radar operations, which to Rumsfeld was “too much and had to be fixed” (Rumsfeld papers, 2003b).

In due course, the Icelandic government accepted the inevitable. On 6 July 2004, the Prime Minister and President Bush met at the White House to discuss the future of Keflavík base. The result was that the President proposed that certain functions at Keflavík airport should be taken over by the Icelandic authorities to which the Prime Minister reacted favourably, as long as those costs were associated with civilian and domestic roles (“Íslendingar taka aukinn þátt í kostnaði,” 2004). Additionally, the two leaders decided that future negotiations would be carried out between the State Department and the Icelandic Ministry for Foreign Affairs.

Following the elections, the coalition was able to give its full attention to warding off the imminent removal of the four remaining fighters from Keflavík base. For Oddsson the bottom line remained the same. Removing the fighters constituted a breach of the defence agreement that would prompt his government to call for a revision of the defence agreement that might lead to its termination, a message that he gave to Assistant Secretary of State, Elisabeth Jones, when she arrived in Iceland to initiate defence talks negotiations (Ingimundarson, 2008, p. 40).

To his domestic audience, and of course the diplomatic community in Iceland, Oddsson reiterated the key issue at hand in an interview with the local newspaper *Dagblaðið Vísir*. According to Oddsson the Icelandic government was of the view that the decision to remove the fighters had not been made at the highest level but instead by individuals in Washington D.C. that lacked a clear grasp of the nature of the relationship between Iceland and the United States (“Allt eða ekkert,” 2003).

Oddsson further argued that the defence agreement was based on continued capabilities in Iceland that benefitted the defence interests of both Iceland and the United States. If the United States unilaterally removed the bulk of what constituted the essence of the agreement (i.e. the fighters) then it was clear to him that the defence agreement was null and void.

In the autumn of 2004, a cabinet reshuffle took place as Oddsson and Ásgrímsson traded places; Oddsson consigned the premiership to Ásgrímsson and instead took up the post of Foreign Minister. A position he would hold until his retirement from politics in late September 2005. When Davíð Oddsson left the political stage, he handed the political reins of the Independence Party and the position of Foreign Minister over to the vice chairman of the Independence Party, Geir Hilmar Haarde.

Three years younger than Oddsson Haarde was a different political breed. While Oddsson had moved quickly into politics after graduating from the University of Iceland with a degree in law Haarde had studied extensively abroad and built up a career as an economist before entering politics. Born to an Icelandic mother and a Norwegian father Haarde attended the same junior college as Oddsson (Menntaskólinn í Reykjavík) and graduated in 1971 – a year after Oddsson. After graduation, Haarde studied in the U.S., graduating with a bachelor degree in economics from Brandeis University in 1973, a master's degree in international relations from John Hopkins University in 1975 and a master's degree in economics from University of Minnesota in 1977.

Haarde took a seat in Parliament following the 1987 elections and diligently worked his way to a leadership position within the party serving from 1999 until 2005 as the vice-chairman until he was handed the reins during a peaceful transfer of power, unlike Oddsson who in 1991, as vice chairman, seized power by running against and defeating the sitting chairman. In 1998 Haarde took up the position of Minister of Finance, a post he would hold until moving into the Ministry for Foreign Affairs in 2005.

5.4. Base negotiations 2005-2006

Almost a full year passed before negotiations about the future of Keflavík base began. With Rumsfeld still at the helm at the Department of Defence, following Bush's re-election in November 2004, the year long hiatus had not materially benefitted the Icelanders. If anything, Rumsfeld's position had toughened. On 14 December 2004 he wrote to incoming Secretary of State Condoleezza Rice:

Condi, I'm ready to go and start the process on Iceland, along the lines of the memo I gave you. I need a yes or no. It is \$281 million/year, and we just had our budget reduced by \$10 billion (Rumsfeld papers, 2004).

As the Department of Defence was being hounded by budget cuts, and feeling the mounting strain in Afghanistan and Iraq, Keflavík base looked increasingly out of place and out of time. In due course, the two sides convened at the State Department in Washington in early July 2005. If the Icelanders expected the negotiation to focus on sharing costs associated with the civilian component of Keflavík airport, they were sadly mistaken. After acknowledging the Icelandic government's willingness to shoulder increased financial burdens the U.S. negotiators put forth their demands. From their point of view the government of Iceland should:

1. Take over operational elements of Keflavík airport relevant to civilian use and bear sole responsibility for most of them;
2. Pay the salaries of Icelanders employed by the defence force;
3. Assume responsibility for the quasi-governmental Radar Agency, funded by the U.S. Air Force but manned and operated by Icelanders; and
4. Provide Search and Rescue services for the F-15 fighters at Keflavík base (UTN, 2005a)

To make their case, the Americans pointed out that complete Icelandic assumption of certain airport functions would be simpler than developing a complicated cost sharing formula between the two governments. After all, these functions were necessary conditions for Keflavík airport to function as an international airport and already carried out by Icelanders. Paying the salaries of Icelanders directly employed by the defence force was a different matter but the U.S. negotiators emphasised that this was not just a question of money “we are looking for a recognition that you as a sovereign nation bear responsibility for your own defenses and we are looking for Iceland to assume such responsibility” (UTN, 2005a). Moving on to Search and Rescue the U.S. side had already deemed the 56th RQS a *low-density, high-demand asset* needed in Afghanistan and Iraq. Therefore, the Icelandic Coast Guard would have to shoulder Search and Rescue responsibility for Keflavík base military personnel.

This was more than the Icelandic side had expected. The Icelanders reiterated that they were only willing to discuss cost sharing in view of the increase in civilian traffic at Keflavík airport. After all, the airport served military flights from NATO member states and during times of war the U.S. military would be granted full usage of the airport. Paying the U.S. government for retaining the defence force in Iceland was out of the question and rejected by the Icelandic Foreign Minister. The Icelandic negotiators further added that Icelandic participation in paying for costs associated with Keflavík base had not been brought up during the Prime Minister's meeting with President Bush in 2004 (UTN, 2005a), and constituted a clear breach of the 1951 Defence Agreement. While willing to look into providing Search and Rescue the Icelanders pointed out that such a large financial commitment would need a political mandate before it could be discussed any further.

Holding their ground, the U.S side retorted that no one was asking the Icelandic government to pay for the F-15's or the presence of the U.S. military in Iceland. It was not unreasonable to expect Iceland to participate in its own national defence. After all, the U.S. military was not a band of mercenaries and while the U.S. government stood by its commitment to defend Iceland "This does not absolve Iceland as a sovereign country from assuming responsibility for its own defences" (UTN, 2005a). The Icelanders held firmly to their position, and countered by arguing that convincing the Icelandic public of the need to pay the United States government to defend Iceland would be a hard sell given the domestic political division the base had caused in Iceland throughout the years. Shortly after this exchange, the session was set to carry on the next morning and adjourned for the day. The brief meeting that followed on the morning of 7 July did nothing more than consolidate the lines already drawn up between the two sides. Still, no one could have expected a settlement right at the beginning. The U.S. negotiators emphasised that since both sides had made their positions clear a basis for finding common ground had been laid. Meanwhile the Icelanders expressed disappointment over the U.S. position which they viewed as unfair and inconsistent with Prime Minister Oddsson's previous talks with President Bush. Iceland, they declared, would be willing to pay its fair share of running Keflavík airport, but paying the salaries of defence force employees was a, "show-stopper" (UTN, 2005a). As this first base negotiation meeting came to an end, the two sides scheduled their next meeting for the coming September.

It was clear that there was still a wide chasm to cross when negotiations resumed in Reykjavík on 8 September that year. Still, the Icelanders had a counter offer to present to the U.S. delegation. The Icelandic government was unwilling to shoulder sole responsibility for Keflavík airport, but it was willing to offer financial participation in most airport functions previously suggested by the U.S. negotiators. Cost distribution would be determined by a joint U.S.-Icelandic committee and Icelandic participation would be introduced through staged implementation. After all, the Icelanders argued, Keflavík airport was a dual-purpose civilian/military airport; thus the U.S. government could not be absolved of its cost entirely. Vexed by this, the U.S. delegates asked why the Icelandic government was not willing to assume full responsibility for the civilian aspect of Keflavík airport just as other governments did all over the world.

Apparently, the negotiators had already hit the first stumbling block, and it would not be the last. After a short break the negotiation teams reconvened. Refusing to abandon the principle of burden sharing, the U.S. side suggested that the Icelandic proposal would be more palatable to decision makers in Washington D.C., and a possible way to move things forward, if its method was applied to other defence force costs: salaries of local defence force employees and base utilities, as well as defence force radar sites (UTN, 2005b). But the Icelanders were adamant and refused, as before, to discuss these proposals.

The next topic on the agenda was the Icelandic takeover of Search and Rescue which by now was meeting some opposition. The Icelanders argued that providing Search and Rescue was a part of defence force operational costs: without U.S. rescue helicopters operating the fighter jets would be impossible. Therefore, providing the U.S. with such a service was in fact subsidising the work of the defence force and ran counter to the Icelandic policy of not paying for U.S. military presence in Iceland. The Icelandic delegation had arrived at the scene with an offer to move cost sharing negotiations forward but as they could not budge on costs associated with defence force functions and Search and Rescue it seemed the two sides were just as far away from reaching an agreement as before.

The third meeting took place in Washington D.C. in October, and turned out to be shorter than the previous two. While reiterating their position that burden sharing at Keflavík airport was not enough the U.S. negotiators put forth concrete proposals on how costs could be shared. The suggestion was to apply the same formula used by the Japanese and South Korean governments regarding U.S. military bases on their soil (Senior member of the U.S. negotiation team, 2015). A senior member of the U.S. team recalls the event in these words:

But when I gave that to Ambassador Jónsson he basically said, 'look, I have been instructed. I can only deal on the basis of our proposal, and you have to take your proposal back.' And I said, 'Well I can't do that... I can't do that for a variety of reasons.' One of which was that I was under a fair amount of pressure from my own government to actually get some more from the Icelandic government which the Icelandic government proposal would have not (Senior member of the U.S. negotiation team, 2015).

The Icelandic side could not address the U.S. offer and further negotiations were broken off. Whether breaking off discussions was a smart move or not can be debated but as a negotiation tactic it gave the U.S. a free hand to go ahead with its plans for Keflavík base, be that a matter of downsizing or closure. Or as one senior Icelandic government official associated with the negotiations phrased it:

People were so naïve. They [U.S. government] used this. Now they could say that they had offered something, although it was the same proposal which we had tried to negotiate ourselves away from. In other words, they had not given our proposal any consideration, but they had hosted the meeting and the Icelanders had walked out. That was the narrative, and everything went up in the air. (Senior official Icelandic Ministry for Foreign Affairs, 2013b).

To the Icelandic government, that October meeting confirmed an unbridgeable gap between the two sides. Later in November, when a journalist from *Morgunblaðið* asked about developments in the defence negotiations Prime Minister Ásgrímsson

regretted the slow progress made while declaring that the U.S. government would have to say if it was not willing to provide Iceland with defences or did not think they were needed. Continuing, Ásgrímsson added that his government would never force or ask U.S. forces to stay in Iceland if they did not want to (“Yrðum að treysta betur sambandið við Evrópu,” 2005). As the negotiations had come to a standstill, the Prime Minister was irrevocably being drawn towards recognizing the possibility that U.S intentions were in fact to close the base.

No further advance was made until an exchange of letters between Foreign Minister Haarde and Secretary of State Rice broke the deadlock with a new round of negotiations scheduled in the coming months. On 2 February 2006, Foreign Minister Haarde and Secretary of State Rice convened in Washington D.C. The meeting was amiable enough. Secretary of State Rice began by discussing the long and close friendship between the United States and Iceland before delving into the changing security and defence threats states faced following the collapse of the Soviet Union.

Concurring with the opening statement of the Secretary of State, Foreign Minister Haarde replied that there still was need for visible defences in Iceland and emphasised the importance of reaching a permanent solution in the spirit of the 1951 Defence Agreement and the North Atlantic Treaty (UTN, 2006a). Pressing for continued U.S. military presence in Iceland, the Foreign Minister argued four main points: (1) the vacuum created by uncertainty was in itself a threat; (2) The core values underpinning U.S.-Icelandic relations still remained; (3) the modern security environment was fraught with uncertainty; (4) and what directions assertive nationalistic Russia would head towards in the future remained to be seen. However, to meet the United States government mid-stream, the Foreign Minister continued, the Icelandic government was willing to take over Keflavík airport and provide the defence force with full Search and Rescue coverage.

The Icelanders had gone a long way to meet U.S. demands. But despite that the Secretary of State sidestepped the issue of retaining U.S. forces in Iceland and gave no clear answers. Instead, Rice discussed the need to modernise the defence relationship with appropriate capabilities, and the importance of not holding on “to defense capabilities that may not be necessary” (UTN, 2006a). Continuing, the Secretary of State added that at this stage the immediate step was to review the burden sharing proposal presented by the Foreign Minister, which seemed like a good start and a way forward for the upcoming negotiations focusing on modernising Iceland’s defences.

The morning after, negotiations continued at the State Department between officials from the two sides with Foreign Minister Haarde and Secretary of State Rice absent from the proceedings (UTN 2006d). The Icelanders opened by stating that their presence in Washington D.C. was an earnest attempt to end the intolerable uncertainty in the defence relationship between the two countries, and to reach a consensus on the outlines of a new agreement by putting concrete proposals on the

table. Unlike the September proposal that assumed an undetermined percentage share over a period of eight years the Icelandic government was now offering a complete takeover of Keflavík airport as well as full Search and Rescue coverage for Keflavík base. The Icelanders, however, maintained that the Icelandic government would not pay the United States for the defence of the country. That point of view, they continued, had been stated countless times in previous negotiations, and it was needless to go over it once again.

Replying favourably to these offers, the U.S. side went deeper into the Search and Rescue part of the proposals. What interested the U.S. negotiators was “performance and capabilities” but how the Icelandic government went about it was a secondary issue since they were “not in sales business, only in capabilities business” (UTN, 2006d). However, the Americans did offer assistance to their Icelandic counterparts in purchasing or leasing U.S. helicopters if the Icelandic government choose to do so.

Next topic for discussion was the bilateral security and defence consultation between the two countries. The Icelanders argued that holding regular bilateral political/military talks would be beneficial for both, to which The U.S. negotiators agreed. After all, such consultation would be useful for evaluating U.S.-Icelandic security cooperation at any given time. Actually, a joint U.S.-Icelandic defence committee was already in place but its role was limited to matters involving the defence force. Therefore, a new high-level forum would be useful to discuss security threats and what ways to tackle them. A case in point, the Americans continued, might be container security at harbours, seeing how the secure transport of goods was a growing concern for Iceland. Another area of cooperation might be in Iraq and Afghanistan (UTN, 2006d). According to the U.S. delegates, Iceland had consistently performed well in NATO missions since it began sending Icelandic doctors and nurses to Bosnia in the mid-1990s. The third field singled out for consideration was increased cooperation between the Icelandic Coast Guard and the U.S. Coast Guard, through mutual visits, training and joint operations.

After reviewing these possible topics for a U.S.-Icelandic defence forum to discuss the meeting was adjourned until later that day. When the two sides reconvened in the afternoon the U.S. delegates distributed a list of buildings within the base area that would be handed over after the airport transfer was completed. The intention was for the list to serve as a conceptual framework for the work ahead. According to U.S. calculations, that list comprised about 30% of base facilities and 20% of the workforce employed by the defence force, in addition to facilities Iceland had already offered to take over. After a brief break, during which the Icelandic representatives conferred with their Foreign Minister, they informed their counterparts that the Icelandic government had agreed to continue negotiations on the agreed basis. The U.S. team replied that they would inform their supervisors in the State Department and, hopefully, they could soon tell the Icelanders whether the result was acceptable or not.

It appeared that negotiations were back on track. In *Morgunblaðið*, both Robert G. Loftis, the head of the U.S. negotiation team, and Ragnheiður Árnadóttir, assistant to Foreign Minister Haarde, went on record saying that talks had been beneficial and cost sharing discussions were moving along favourably (“Viðræðurnar sagðar vera árangursríkar,” 2006). But less than a month and a half later, without any forewarning, Foreign Minister Haarde received that fateful phone call from Assistant Secretary of State Nicholas Burns informing him that in fact the last fighters would be removed from Iceland. Although Icelandic decision makers suspected that the U.S. government intended to withdraw the fighters the method still came as a surprise:

I had the feeling that this had become very difficult, but of course I didn't know that they would do it in such a brutal way. To just pick up the phone. Of course, they had already reached a decision within their own system, which goes through some processes. At one point someone says: hey Nick Burns! This phone call is yours (Independence Party, former member of cabinet, 2014a).

The following day, Foreign Minister Haarde made a 10 minute verbal report to Parliament (Parliament, 2006a), during which he gave a chronological account of the negotiations, ending with the latest February meeting in Washington D.C and expressing his disappointment over the U.S. decision, he continued that his government had been under the impression that negotiations had been ongoing and mowing forward.

In the immediate aftermath uncertainty lingered about what fate awaited Keflavík base. In his report to Parliament, Haarde spoke of vast reductions of defence force functions and in an interview with *Morgunblaðið*, he stressed that it was now up to the United States and the Icelandic government to come up with a solution that provided Iceland with minimum defences, since “...a defence agreement without defences has very little value.” (“Varnarsamningur án varna ekki mikils virði,” 2006) A similar note was struck by media pundits who speculated that a small token force would remain, and that Keflavík base would possibly continue to exist in a dormant state (“Getur markað upphaf endaloka varnarsamstarfsins,” 2006 and “Hótun um uppsögn varnarsamningsins virðist orðin tóm,” 2006).

Indeed, U.S. diplomats, and U.S. military personnel at the base did not seem to have a clear picture of what would happen after 30 September 2006. The head of the U.S. negotiation team, Ambassador Loftis, went on record with *Morgunblaðið* saying that U.S. military presence would be diminutive, but just how small he was not willing to speculate (“Lítið vit í að hafa orrustuþotur á Íslandi,” 2006). Meanwhile the base commander, Captain Mark Laughton, announced to his staff of 1,240 military personnel and 100 Department of Defence civilian employees that the drawdown of Keflavík base would lead to “no significant military presence in Iceland

after 30 September” (“NASKEF leadership announces plans for base downsizing,” 2006). Clearly, the base would go through far reaching alterations, but the phrase “no significant military presence” implied that some U.S. military personnel might remain.

Whether a small token force would stay remained unclear but it was clear that the government of Iceland had to come up with a plan. Five days after the announcement, during a town meeting with the locals at Keflavík, Prime Minister Ásgrímsson announced that his government would focus on three key issues: (1) reach an agreement with the United States government about future defence of Iceland; (2) assume responsibility for Keflavík airport; and (3) respond to the imminent mass lay-offs among the locals employed at the base (“Segir að vantraust hafi skapast milli þjóðanna,” 2006). However, Ásgrímsson warned that reaching an understanding with the U.S. government might prove a bumpy road. Preceding events had eroded Icelandic trust towards the United States and it remained to be seen whether that trust could be rebuilt. Continuing, he added that it might be necessary to revoke the defence agreement, or at least revise it, in which case NATO would have to be consulted. Still, he expected some U.S. military presence within the old base area although that depended on the outcome of discussions between the two governments.

But why was there confusion over what, if any, U.S. military presence would remain after 30 September? For this there were two reasons. At the time of negotiations, command of Keflavík base was in the midst of being transferred from the U.S. Navy to the U.S. Air Force (Senior member of the U.S. negotiation team, 2015) and for Icelanders working at the base this was visible on a daily basis as the Air Force has already started to take over certain key buildings from the Navy (Former senior official within the Radar Agency, 2013). Therefore, despite the tense negotiations throughout 2005 the U.S. negotiators had not been working towards closing down the base as such (Senior member of the U.S. negotiation team, 2015). Secondly, the abrupt break of the Icelandic negotiation team during the previous October meeting had been a turning-point but not because it gave the U.S. State Department an excuse to end talks. Rather, it gave Secretary of Defence Rumsfeld the excuse *he* needed to eliminate funding to Keflavík base altogether:

They walked out and unfortunately when they walked out the word got out to Secretary Rumsfeld that told the controllers, the guys that control the budget, to zero out the account at the end of the fiscal year. In other words, at the end of the fiscal year which would have been September 30 2006 the military would no longer be allowed to spend any money on keeping Keflavík open, which is essentially to shut it down. [...]... once you have that order that you are no longer allowed to spend money, it is a criminal offence so they had no choice. But the people I talked to were not happy about that. That was a unilateral decision on part of Rumsfeld; he didn't check

with the White House he just did it. [...] We [State Department] actually didn't find out about the decision until several days later (Senior member of the U.S. negotiation team, 2015).

Icelandic decision makers had suspected Secretary of Defence Rumsfeld as the key protagonist behind the decision but the view on the Icelandic side had been that President Bush had simply chosen Rumsfeld's view as the most preferred option (Progressive Party, former member of cabinet, 2014, and Independence Party, former member of cabinet, 2014b). The events that followed that failed October meeting echoed Rumsfeld's previous attempt to remove the fighters; however, this time around Rumsfeld did not face effective opposition from the State Department.

Any hope that the U.S. government would maintain some military presence in Iceland after 30 September was soon dashed. Two weeks after the announcement, the two sides met in Reykjavík.⁸ In the context of those talks U.S. Under Secretary of State, Nicholas Burns, published an open letter in *Morgunblaðið* ("Öflugra varnarsamstarf á 21. öldinni," 2006) discussing past and present security and defence cooperation between Iceland and the United States. In brief, Burns argued that the non-existence of a credible military threat in the North Atlantic and the growing preponderance of new security threats which static military forces are not the ideal tool for addressing such as terrorism and proliferation of weapons of mass destruction, were at the heart of President Bush's decision to end permanent stationing of U.S. forces in Iceland. However, the U.S. government intended to honour the 1951 Defence Agreement by providing Iceland with mobile forces situated in the U.S. and elsewhere.

Since the U.S. government had reiterated its commitment to the defence agreement the logical next step was to open up a dialogue about how the United States government envisioned an adequate defence posture for Iceland. In early April Foreign Minister Haarde informed Parliament (Parliament, 2006b) about ongoing discussions between the two sides on a new defence plan for Iceland that the United States European Command (EUCOM) in Stuttgart was working on. Clearly, revoking the defence agreement, although sometimes flaunted as a bargaining chip, had never been a real option for Icelandic decision makers:

No, it was not an option. Perhaps someone said at one point, "OK if they're gone we can just tear up these papers", but it was never serious. It [the Defence Agreement] was always the bottom line. Instead of calling for physical presence in Iceland, as the 1951 agreement did, it is not necessary to read it [the defence agreement] or interpret it that

8 The Ministry for Foreign Affairs minutes from meetings held on 31 March, and 26-27 April 2006 are not accessible since they contain information on the U.S. defence planning for Iceland.

way, instead we emphasised the commitment. We thought that in light of events and the changed security environment that this was acceptable (Independence Party, former member of cabinet, 2014a).

Eventually, a defence plan was worked out, palatable to both sides, and a new framework for security and defence cooperation was agreed upon. The 1951 Defence Agreement continued to serve as the basis for defence cooperation between the two states, but with amendments made to its annexes and technical schedules (Ministry for Foreign Affairs, 2006) to reflect the redeployment of U.S. forces from Iceland and the return of land and facilities to the Icelandic government.

In early October 2006, a few days after the formal handover of Keflavik base, the Prime Minister informed Parliament (Parliament, 2006c) that a final settlement had been reached between the two governments. A settlement which was given flesh in four separate agreements: three of which concerned practical issues such as the handing over of land, infrastructure and equipment, while the fourth dealt directly with the future security and defence relationship with the United States. The preamble to the 2006 Security and Defence Cooperative Agreement (Office of the Prime Minister, 2006a) reiterated the validity of the 1951 Defence Agreement before setting out the future defence relationship between the two countries. The Icelandic government accepted EUCOM's plan to ensure Iceland's future defence's with mobile forces. Additionally, the two sides committed themselves to regular consultation and information sharing. Not only within the context of military security, but also regarding non-military security threats such as terrorism, law enforcement, border control and safety at sea.

In Parliament the opposition criticised the government for handling the negotiation process poorly. Particularly for insisting on holding on to the four remaining fighter jets without offering any alternatives (Parliament, 2006c). This stubbornness, the opposition claimed, left Iceland with no clear defence policy goals beyond maintaining as much of the status quo as possible.

Indeed, putting so much emphasis on keeping the four remaining F-15's may have seemed archaic and exasperating to U.S. negotiators and decision makers. But there was more to it than that. In one form or another the remaining base functions at Keflavik base existed to support the fighter jets. Without them the rationale to maintain the base disappeared and with it the certainty that the United States government would respond quickly to any military or terrorist threat facing Iceland since such threats would put U.S. citizens and a U.S. military base also at risk. With the defence force gone this assurance of immediate response had disappeared.

Consequently, it is not surprising that in their final report to the Minister for Foreign Affairs the Icelandic negotiation team emphasised the need to make up for this vacuum through alternative methods:

Therefore, the Icelandic authorities must make necessary arrangements to increase the likelihood of a swift and effective U.S. response against threats made towards Iceland. Such arrangements pertain to communication lines between U.S. and Icelandic authorities during a crisis, but also, and not least, by establishing as close ties and cooperation as possible with the U.S. military and other U.S. security institutions such as law enforcement and Coast Guard (UTN, 2006c).

On the other side of the Atlantic Rumsfeld congratulated himself on ending U.S. military presence in Iceland despite opposition from the State Department (Rumsfeld papers, 2006). However, dissenters within the Department of State contended that his victory was a hollow one:

This was not something that we [State Department] took very lightly. There were a couple of things at play at the same time. There was the U.S.-Iceland relationship over all, but there was also the perception that Iceland had been a very valuable partner in the North Atlantic Council, Iceland had been deploying... you know it doesn't have a military but it had people who were working in Iraq and Afghanistan, we were just integrating the Baltics, small countries there who were worried about NATO's commitment. So, it is not just how you deal with Iceland, it is how you deal with a small ally within a larger alliance, and the perception that when people are no longer useful you kind of throw them aside, and what that does to the rest of the alliance. So, for the State Department and a lot of the career people at the Pentagon, this was a shock and [...] unfortunately given Rumsfeld's power, there wasn't a lot we could do to change the decision [...] so the question was then how do you go about fixing a problem that you created, and maintaining the alliance and making sure that Iceland understood that [...] our commitment to the defence of Iceland still was very strong (Senior member of the U.S. negotiation team, 2015).

The sense of being sidestepped and disregarded by the U.S. government was shared by Iceland's own decision makers:

It may well be that long-term fatigue among individuals such as Rumsfeld had some effect. He was rumoured to have gotten the impression of Icelanders during the Cod Wars that Icelanders were demanding, inflexible and greedy. So, he was not viewed as friendly towards Icelanders. Then there is the question whether we could have tried to influence the negotiation process through connections in the U.S. Congress or Senate. We had friends there... or as good friends as is possible to talk about in this business. Looking back and thinking about how this evolved, it is possible to say that we [government of Iceland] should have approached this differently. We could have said: OK, you can take the fighters but are you willing to leave behind a small force to work with us on technical issues regarding IADS and also to show that you respect the old

agreement from 1951 with some physical presence, a small force that would also serve as deterrence (Independence Party, former member of cabinet, 2014a).

What stung Icelandic decision makers was that the U.S. government had decided to pull its military out unilaterally despite a defence relationship that stretched more than 60 years – going back to the defence agreement of 1941 – and the fact that the 1951 Defence Agreement is after all a bilateral agreement that called for joint decision making regarding overall troop levels at the base. As feared by members of the Department of State, directly involved in the negotiations, this action eroded trust and confidence in the integrity of the United States among Icelandic decision makers:

I always had great trust in my dealings with the U.S., but through all this I lost that trust. [...] This is all water under the bridge and U.S. military presence in Iceland is not a goal in itself. What matters is that the security of Iceland is guaranteed through NATO membership and the bilateral defence agreement. We have to be able to rely on the defence agreement, and the Americans have tried to reassure us, but I have my doubts (Progressive Party, former member of cabinet, 2014).

Whether Icelandic decision makers could have done something differently to maintain the status quo at Keflavík base seems improbable, but the chain of events was not wholly predetermined. The Icelandic government had viewed the base itself as a guarantee that the United States would respond swiftly to any future aggression or threat against Iceland. As a result, instead of focusing on the main goal of maintaining some U.S military presence in Iceland, even if only in token form, the main bone of contention for Iceland had become the fighter jets. This in turn had opened the way for the Pentagon with Rumsfeld at the helm to present the government of Iceland with a fait accompli by shutting down what he saw as a redundant Cold War relic in a strategically insignificant part of the world.

The coalition government of the Independence Party and Progressive Party was extremely resilient and one of the longest serving coalition in Icelandic political history. Prime Minister Oddsson was a central figure during the different phases of defence negotiations but his government was a coalition of two parties and the Progressive Party leadership stood firmly by the hard-line position pushed by Oddsson:

We within this government often had different opinions that we discussed among ourselves without making them public. [...] We had different viewpoints but in such an important matter the end result was to reach a consensus that everyone could agree with and follow that policy through-and-through. [...] We agreed that they [U.S. defence force] were going to stay and that we were not going to give way (Progressive Party, former member of cabinet, 2014).

The perception of the leadership of the two parties was that despite U.S. cut backs at Keflavík base their end-game was not to close the base and end U.S. military presence in Iceland but to coerce the government of Iceland to share the costs associated with the airport and the base itself. However, in the autumn of 2005 the defence negotiations were in a gridlock and it would take Oddsson's retirement from politics to bring about a change of policy. On 27 September 2005 Haarde succeeded Oddsson as Minister for Foreign Affairs, and elected chairman of the Independence Party a few weeks later. After taking office as Foreign Minister, he altered his predecessor's policy and sought to restart the stalled defence negotiations by offering his U.S. counterparts some relaxations from previous Icelandic offers (Independence Party, former member of cabinet, 2014a). The result was the 2006 February meeting in Washington D.C. between Foreign Minister Haarde and Secretary of State Rice during which Haarde stepped back from the previous red line drawn by Oddsson and offered Icelandic assumption of responsibility for Keflavík airport and provide the defence force with Search and Rescue services thus freeing up the much needed 56th Rescue Squadron.

The change of policy after Haarde took over the chairmanship of the Independence Party should not be so surprising. Within the coalition there had been voices that argued that instead of fighting the U.S. negotiators on costs associated with the civilian side of Keflavík airport a wiser course of action was to be more accommodating, since the ultimate goal was of course to reach an amiable agreement with the Americans that would secure future presence of U.S. military forces in Iceland (Independence Party, former member of cabinet, 2014a and (Independence Party, former member of cabinet, 2014b). Oddsson's retirement had created a leeway for moderates within the party that wished to meet the Americans half-way and find some accommodation that both sides could accept.

A Similar reversal of policy took place with the possible revoking of the 1951 Defence Agreement. Oddsson's enthusiasm about terminating the agreement if the last remaining fighters were removed from Keflavík base was not shared by Haarde and Ásgrímsson as they did not follow through with Oddsson's threat. Instead, they saw through an arrangement with the U.S. whereby the 1951 Defence Agreement was interpreted in such a way that the U.S. would continue to provide Iceland with military defences albeit with moveable forces stationed outside of Iceland. Whether Oddsson would have gone through with his threat if he had remained as Foreign Minister and leader of the Independence Party is impossible to ascertain. But seeing how quickly the hard-line policy was reverted after Haarde took over the reins at the Ministry for Foreign Affairs implies that Oddsson would have met fierce opposition within his own party as well as from his coalition partner.

Oddsson's brinkmanship in making the defence agreement dependent on the presence of few fighter jets was understandable. Oddsson rational was that the fighters were the linchpin of the base itself (Senior government official, 2015).

Without them there was no need for various support staff at Keflavík base and one by one various layers of base services and staff would peel away until the base would become an empty shell.

But there were also domestic political factors to be considered. In the Icelandic political landscape, the Independence Party had always been the most steadfast supporter of U.S. military presence in Iceland. It served U.S. defence interests to have a base in Iceland but the Independence Party had championed the defence agreement and the base as necessary for Icelandic defence needs since 1951. For the Independence Party leadership, to abandon its policy of a visible U.S. military presence in Iceland was tantamount to acknowledging the argument of those who opposed the defence agreement throughout the Cold War period on the grounds that American forces were only in Iceland to protect U.S. interests, and had little to do with the security needs of Icelanders. Convincing Parliament to allocate funds for Keflavík airport and burden sharing as a requisite for maintaining the defence force in Iceland would also be a tough sell for the coalition government. For Oddsson and his team this was regarded as unworkable:

Let's say that we had gone home with this offer. Then we would have had to ask Parliament for the money, let's say 10 billion ISK for the year 2005. If Parliament had asked whether that would keep them in Iceland or if we would come back in a few years to ask for more money, we could not give them any assurances, this was a hopeless situation (Senior government official, 2015).

Clearly, the thought was that Parliament would never accept considerable financial expenditures for airport maintenance; paying the salaries of Icelandic defence force employees and assume financial responsibility for the Radar Agency without having a guarantee that the United States would keep the base open. In the end, Rumsfeld's intervention terminated any possible future settlement of retaining Keflavík base, regardless of whether Oddsson's hard negotiation tactic or Haarde's softer approach prevailed.

5.5. Conclusion

Iceland's defence agreement with the U.S. and membership of NATO was a contended issue in domestic politics until the late 1970s. Especially during the three Cod Wars with the parties to the left of centre on the political spectrum calling for the termination of the defence agreement and two coalition governments that included the Progressive Party calling publicly for the termination of the defence agreement in 1956 and 1971. However, by the late 1970s and onwards the presence of U.S. military forces in Iceland and the defence agreement receded into the

background as a political issue and was not an issue for discussion of any left of centre coalition government formed in the late 1970s or throughout the 1980s. Following the end of the Cold War In the early 1990s a government coalition consisting of the Independence Party and the Social Democratic Party responded to possible reduced U.S. military presence at Keflavík base by forming a policy of cost reductions but no cost sharing at Keflavík base. While the U.S. was trying to move beyond its Cold War presence in Iceland the government of Iceland had not been able to move further and consider alternative arrangements from what had existed since 1951.

This position was maintained by the Independence Party/Progressive Party coalition formed in 1995 which held through every national election until 2007. Headed by Prime Minister Davíð Oddsson both coalitions drew a red line in the sand vis-à-vis U.S. negotiators which was that four fighter jets and the helicopter rescue squadron would remain at the base. Even though the policy became increasingly tenacious there was no reversal until after a change of leadership within the Independence Party in the autumn of 2005 when Davíð Oddsson retired from politics.

During their tenure in government, both the Social Democratic Party and the Progressive Party presented a united front with the Independence Party during successive negotiation rounds about the future of Keflavík base. Of course, government coalitions have to present a united front and speak with one voice when engaged in international negotiations and the Progressive Party and the Independence Party were united from start to finish in their defence negotiations with the United States.

From a Neorealist point of view the defence negotiations present a quandary. The rational approach for Icelandic decision makers would be to take stock of the security environment facing Iceland and formulate an appropriate defence policy that would assess the continued need for U.S. military forces in Iceland and then set out negotiation goals based on that assessment. Instead from 1991 until late 2005 the main emphasis was to draw out the winding down of the base and then to fight tooth and nail against Icelandic burden sharing.

It was only during the February 2006 meeting between Foreign Minister Haarde and Secretary of State Rice that the negotiations were framed within the appropriate strategic context of why continued U.S. military presence in Iceland served Icelandic defence interests as argued by Haarde: the departure of the defence force would create a power vacuum which in itself was a threat and it remained entirely uncertain what route a nationalistic Russia would take in the near future. With the closure of the base a reality the government of Iceland settled for reinterpreting the defence agreement in such a way that it remained valid but interpreted in such a way that permanent stationing of U.S. forces in Iceland was not required.

From an Institutionalist perspective the involvement of NATO throughout the negotiation process was minimal. Although 1951 Defence Agreement stated that

the U.S. provided Iceland with defences on behalf of NATO the NAC was not involved in any stages of the negotiation process that from the beginning to the end was a bilateral issue between the U.S and Iceland. Although not using NATO as a forum of mediation NATO Secretary General George Robertson did have a minor role to play in the spring of 2003 when he spoke to President Bush on behalf of Foreign Minister Ásgrímsson and persuaded Bush to postpone for the time being the removal of the last fighter jets from Keflavík.

Moving beyond Neorealist and Institutional thinking the perspectives of Political Economy and Social Constructivism may help us better understand the route that the defence negotiations took. The intransigent behaviour of consecutive cabinets headed by Davíð Oddsson to refuse to consider cost sharing at Keflavík base and to maintain as much of the status quo as possible was a manifestation of the functional role Keflavík base played in Iceland on a daily basis and had done for decades. The defence force was among the largest individual employer in Iceland, bought goods and services from Icelandic businesses, ran Keflavík international airport and provided Search and Rescue in Iceland. Any winding down of base functions was bound to impact the U.S. economic impact in Iceland and incur additional costs on the Icelandic government.

Maintaining as much of the status quo was important for economic reasons but there were also political considerations at play. For decades the Independence Party had positioned itself as the strongest supporter of defence cooperation with the U.S. and the party that could be best trusted with responsible handling of defence issues, including successful negotiations with the U.S. on the defence relationship between the two states. Failing to live up to that expectation could cost the party votes from its traditional supporters. Therefore, remaining tough on keeping the four remaining fighter jets at Keflavík was also intended to appeal to the electoral base of the Independence Party. With considerable electoral losses in the 2003 national elections any leakage of the decision by the U.S. to remove the last remaining fighters from Keflavík in the spring of 2003 could have cost the Independence Party/ Progressive Party coalition three members of Parliament which would have brought down the coalition.

Moving from Political Economic considerations to Social Constructive perspectives it is hard to overlook the pivotal role played by Davíð Oddsson. Prime Minister from 1991 until 2004 and then Foreign Minister from 2004 until 2005, Oddsson had a ruthless approach in politics. In 1991, as vice-chairman of the Independence Party he ran against and defeated the sitting chairman, Þorsteinn Pálsson, a man one year older than Oddsson who had been elected chairman in 1983 and already served as Prime Minister from 1987 to 1988 during a brief coalition of the Independence Party, Progressive Party and the Social Democrats. His unyielding approach was evident throughout the negotiation process: threatening to terminate the defence agreement if the last fighter planes were to be removed from the base

and focusing throughout on costs and how to minimise Icelandic financial burden in any negotiated agreement.

It is only when Oddsson left the stage to Haarde in the autumn of 2005 and following the February 2006 meeting between Haarde and Secretary of State Rice that the Icelandic side moved away from its fixation on costs. With an educational background in the United States worthy of any State Department career diplomat Haarde was able to articulate to Rice why a continued U.S. military presence in Iceland was important for Icelandic security interests, placing the discussions in their correct strategic context while accepting upfront the most pressing U.S. demand: complete Icelandic takeover of Keflavík airport. However, the breakthrough came too late in the process as Secretary of Defence Donald Rumsfeld had already made his fateful decision in late 2005 to shut down Keflavík base regardless of any counterproposals by the Icelandic side.

6. Government policy following the closure of Keflavík base

6.1. Keflavík airport and base facilities

With the status of the defence agreement out of the way the next hurdle was the successful transfer of responsibility for Keflavík airport and base facilities to the Icelandic authorities. To tackle the work ahead, the two sides formed a joint Transition Working Group. The Icelandic delegation was led by the Office of Defence at the Ministry for Foreign Affairs and the U.S. team by senior officials from Keflavík base and staff members of the U.S. embassy in Reykjavík. According to the Icelanders the transition group had two goals:

The key short-term objective is to establish what needs to be done to ensure the uninterrupted operability of the international airport and how those steps need to be taken, noting that the GOI [Government of Iceland] had already agreed to take over airport-ops related functions. In the long term he said that it was critical that the GOI be informed of the end state of the transition at the base and what future requirements there may be to keep the Agreed Areas or part thereof functional for US/Iceland and NATO in accordance with the defense agreement (UTN, 2006d).

As a dual military/civilian airport operated by a foreign government taking over Keflavík airport posed a number of challenges. To ensure a seamless transition the base authorities supplied the Icelandic side with a complete list of all equipment needed for operating the airport: (1) airport workforce; (2) computers; (3) databases and electrical equipment; and (4) necessary fire trucks and snowploughs. This listing was reciprocated with a formal request by the Icelanders for transfer of relevant assets (UTN, 2006d). The larger equipment, fire trucks etc. were leased through a Foreign Military Sales Program for a period of five years, and a procedure known as Foreign Excess Personal Property was used to transfer all other items to into ownership of the Icelandic authorities.

The transfer of airport facilities posed its own set of unique problems. As previously recounted, base facilities had been financed either directly with U.S. funding or NATO funds. Accordingly, airport facilities were either U.S. owned or defined as NATO Infrastructure. The Icelandic position regarding U.S. facilities was that they should be handed over free of charge (UTN, 2006d) in accordance with the general annex of the 1951 Defence Agreement:

All other property [i.e. real estate] provided by the United States and located in Iceland under this agreement shall remain the property of the United States until the termination of this Agreement, whereupon, except as provided in paragraph 4 below, it shall become the property of Iceland without compensation (Ministry for Foreign Affairs, 1951).

Deciding on the future of NATO facilities was a trickier affair. The Host Nation role for NATO facilities in Iceland had always been shouldered by the U.S. government and as such the United States had represented Iceland within NATO. However, that division of labour was about to change. In early April the U.S. side had asked their Icelandic counterparts whether the government of Iceland would consider taking over Host Nation responsibility for NATO facilities in Iceland. However, the only reply had been that currently there was no Icelandic government policy in place whether to participate in NSIP or whether to assume Host Nation responsibility for Icelandic NATO facilities (UTN, 2006d). The ambiguity was not one sided. The U.S. representatives were also unable to say whether the United States intended to retain its Host Nation role for any NATO facilities in Iceland or not. Eventually, in late May, the U.S. side informed its Icelandic counterpart of its decision:

The U.S. intention is to declare all NATO owned facilities and equipment in Iceland as excess and no longer needed by U.S. forces [...] with the drawdown of U.S. forces in Iceland there is no longer an operational requirement for these things (UTN, 2006d).

While the U.S. side was arguing that the Icelandic government should take over Host Nation support for NATO facilities in one batch the Icelandic delegates emphasised that their primary interest was only to take over those NATO facilities essential to operate Keflavík airport. As discussions continued, it became apparent that tweezing out those facilities needed for running the airport and transferring them separately would complicate the handover process (UTN, 2006d). In Brussels the U.S. Permanent Representation at NATO had been working with the NATO Infrastructure Committee on the transfer and from their vantage point it would be easier for the Infrastructure Committee to process a single request than many smaller parcels.

By early September, EUCOM recommended that 63 out of the 145 NATO facilities in Iceland should be handed over to the Icelandic authorities. The U.S. government had already decided that it had no need for the remaining 82 listed NATO facilities but was obliged to secure and maintain them for 12 months after which a decision had to be reached by the NATO Infrastructure Committee on their future use.

As the winding down of U.S. forces in Iceland continued the pressure on the Icelandic authorities increased. The Defence Office at the Ministry for Foreign

Affairs established a task force to handle the practical issues of transition, since a seamless transition of utility services: electricity, water and sewage had to be secured, in addition to the equipment and facilities needed to operate the airport. Eventually, over 560 former base facilities were handed over (UTN, 2006d) which in turn presented problems of its own. The Icelandic handover task force had to operate within a narrow time limit as its task had to be completed before the departure of the defence force. Associated with the transfer process was a former senior official within the Radar Agency who described the process in the following way:

What people didn't realise is that this was not a question of being told to sit and write down a list over what needs to be done. This is not action; this is re-action, a reflex. The Americans are leaving and we have to get our arms around what they are leaving behind. In reality, you find yourself in a defensive position and you are discovering all kind of things. For example, what about the airport fire brigade? They can take whatever trucks they like when they leave. How are we going to ensure that the airport meets ICAO standards regarding fire safety? [...] There was also an issue with the telephone system. A part of its hardware was a piece of U.S. owned equipment which was so essential that without it the airport could not function, and of course the Americans could take it with them. [...] Another thing was the handing over of facilities. Suddenly there were hundred keys to hundred different apartments thrown at your desk in a day and there were three of us. What were we supposed to do? You were grateful if you could ask to what apartment a particular key went. There was this kind of nonsense, this was chaotic (Former senior official, Radar Agency, 2013).

Eventually, the dust settled and on 30 September 2006 a formal handover ceremony of Keflavík base took place. As plans for the transition ceremony were underway the government of Iceland decided to divide the former base and airport area into three sectors (Ministry for Foreign Affairs, 2006, p. 12). Sector A included the international airport at Keflavík, its terminals, hangars and runways. Sector B would be the newly designated Security Zone covering the defence and security facilities which included the CRC, ISSF and a number of other buildings. The largest zone: sector C, included 386 facilities used and lived in by defence force military personnel and their families.

All property within sector C was quickly handed over to a newly established development company whose purpose was to expedite their transition from military to civilian use. However, an unfortunate event in late October that year revealed the need for clear rules of administrative responsibility within the former base area (The Icelandic National Audit office, 2008, pp. 19-23). During unusual autumn frosts, water pipelines burst in 13 abandoned apartment buildings and seven other facilities, causing extensive water damage to 106 apartments. This incident, less than

a month after the transition, brought the point home that some future arrangement was needed for Keflavík base area.

Before the transfer was complete the two sides had to come to an agreement on three issues: (1) transfer of responsibility of base infrastructure and equipment to the Icelandic authorities; (2) environmental clean-up of the area coming into Icelandic possession; and (3) the future of IADS. The first session took place on 7 July in Reykjavík followed by a session in early August in Washington and a final one in mid-September in Reykjavík.

Transfer of responsibility. Transferring essential airport equipment to the Icelandic authorities was a straightforward matter. The U.S. side was not willing to give the equipment free of charge, but they were willing to lease it to the Icelanders for a nominal sum of a few thousand dollars. But transferring base infrastructure was a trickier affair. In the beginning, the U.S. side claimed that the replacement value of the base was \$2.5 billion, however, the United States government was willing to let it go for \$150 million. An offer presented by the U.S. negotiators as "...a magnificent opportunity to take over magnificent facilities" (UTN, 2006e). The offer was rejected by the Icelanders who countered that they were only interested in facilities essential for running the international airport, and those needed for receiving U.S. and NATO military forces in the future. However, the Icelanders had a counter-offer to make: they might be willing to take over all base facilities if the residual value of those not needed would be deducted from the price of facilities that the government of Iceland truly wanted. Both sides remained at loggerheads and were obliged to seek a compromise through other means.

Environmental clean-up. In due course, the two sides delved into the environmental condition at the base. The Icelandic negotiators maintained that article VIII of the general annex to the defence agreement⁹ obliged the United States government to clear the agreed areas of waste material, which implied that the U.S. government should pay for closing garbage dumps and cleaning up contaminated soil at Keflavík base at a total cost according to Icelandic estimates of \$47 million (UTN, 2006e). Not buying into the Icelandic argument, the U.S. negotiators argued that the concept of environmental clean-up had been unknown in 1951 and countered that that particular article only applied if the defence agreement was revoked (UTN, 2006e). To bolster its claim the U.S. government had hired an environmental consulting firm to carry out a survey within the base area.

According to the study, the most prevalent contagion was groundwater pollution, but this was a well-known issue that had already been settled with an agreement between the two governments in 1989. With regard to other contamination, out of 60 pre-defined zones 14 needed further investigation, however, only two had

⁹ "...waste material, will to the extent practicable, be removed destroyed or otherwise disposed of upon the surrender of the agreed areas" (Ministry for Foreign Affairs, 1951).

been used by the U.S. military. The remaining 12 had been used by contractors and domestic airport authorities under Icelandic supervision. Apparently, the situation was particularly bad in a so-called contractor area that the U.S. military had had no control over. Adamant that they were not obliged to carry out any kind of clean-up, the U.S. negotiators argued that it was particularly unfair to hold them responsible for pollution caused by Icelandic contracting firms. However, if the Icelandic government would choose to carry out environmental clean-up that cost might be considered a part of a residual payment for U.S. base facilities.

The U.S. side had decided to mesh environmental clean-up settlements with financial reimbursements for base facilities. The Icelanders acceded somewhat to that point of view, and agreed to clean up the contractor area and old training grounds known to contain unexploded munitions from past military exercises. Eventually, a compromise was reached. The Icelandic government was given ownership of all 541 U.S.-owned base facilities free of charge. In return the United States government was absolved of any obligations for future environmental clean-up (Office of the Prime Minister, 2006b) and the two governments agreed to further consultation on best ways to respond if an environmental hazard detrimental to people's health should become known within the next four years.

The future of the Iceland Air Defence System. When seeking agreement on IADS it was clear that the two sides had different goals in mind. The Icelandic position was that IADS played a pivotal role in the security of Iceland. After all, it was the responsibility of any sovereign state to be aware of what was taking place within its territory in land, sea and air. Additionally, the system had strong implications for civilian air safety. IADS radar signals were forwarded to the Icelandic aviation authorities and used to monitor flights and navigate civilian air traffic around Iceland. Because of its significance, a continued U.S. participation in IADS would constitute a visible U.S. contribution to the defence of Iceland. Therefore, the Icelandic negotiators made their U.S. counterparts an offer: Iceland would fund the operational costs of IADS while the U.S. paid for maintenance, required spare parts and future upgrades (UTN, 2006c). The argument was that because of economics of scale the United States would be able to fund maintenance at much lower costs than the Icelandic government. If accepted, the offer would have made the U.S. and Iceland partners in Host Nation Status for IADS under NATO definitions with Iceland paying up to 75% of the costs. There was, however, very little interest in the Icelandic offer among U.S. negotiators. EUCOM in Stuttgart had already decided that there was no further U.S. military need for the system, although NATO would have to give its view on the matter. What was important for the U.S. negotiators was that the United States had committed itself to maintain the system and radar signals from two of its four stations during a 12-month period of notice, ending on 15 August 2007. The U.S. side thus responded coolly that the future of IADS was still under discussion.

But If the U.S. government was not willing to fund IADS then what about other elements of future U.S. military visibility in Iceland? During the negotiations, the Icelanders had made it clear that Keflavík airport would continue to be a contribution to the common defence of NATO and would remain open to U.S. and NATO forces. The Icelandic government also argued that the U.S. government should maintain some facilities and personnel to be able to receive larger forces in time of need. This of course tied in with the Icelandic desire for regular arrival of force elements to carry out exercises involving air defence (with fighter jets), Search and Rescue as well as special forces (e.g. for counter-terrorism). While not commenting on the issue of retaining personnel and facilities within the base area the U.S. negotiators had responded favourably to the suggestion of hosting regular exercises and suggested that something might be arranged similar to the bi-annual Northern Viking exercise already held in Iceland.

A consistent problem, for the Icelandic side, throughout the six-month transition phase had been to get their U.S. counterpart to provide them with accurate information about the winding-down process of base operations. Repeatedly, the Icelandic side requested a planned timetable (UTN, 2006d) only to be given one on 24 May, during the sixth transition meeting, by which time a serious breach of trust had already occurred. A few days earlier, the 932 ACS had walked out of the CRC, leaving the Radar Agency faced with an unexpected reality: no-one was monitoring IADS radar data, or relaying that data onward to NATO command centres in Europe and North America.

The walk out signalled the end of direct U.S. involvement in monitoring signals from IADS although the U.S. government was obliged to fund the system until mid-August 2007. Despite the walk out the technical capabilities of IADS were all in place and their functions could be reactivated. Within the Radar Agency a decision was made to assume air surveillance previously carried out by the 932 ACS:

We made the decision and of course everybody knew about it, this wasn't a private decision. We decided to continue. We did this the poor man's way. We used the technicians to monitor the signals at the radar sites because they were still partly manned. Then we manned the CRC during daytime. Gradually we stopped manning the CRC with technicians and they simply became shift workers which made it possible to man the CRC 24 hours a day. There were few steps in the process but we never stopped, it [air surveillance] never stopped (Commander Keflavík Air Base, 2013).

The recollection of a technician manning IADS gives a valuable insight into how the Radar Agency staff took the initiative:

They [932 ACS] just walked out of the CRC and we simply took the ball over. What we did first of all was to monitor the airspace, that is the signal and maintain it. Then

we had to start from the beginning and establish contact with Norway and U.K., and get us into what is called CAOC. We are mostly in contact with the Norwegians and the British and we had to build this up from scratch. We simply sat down and opened the instruction manuals about how to do this. You just sit down and you know... this is what we have and now we are going to do this [...] I am not joking, people were simply thrown a ball and told that they had to hold it and that is what we did (Technical crew chief IADS, 2014).

The abandonment of the CRC took the Icelandic authorities by surprise. Actually, during a preceding Transition Group meeting the upcoming deactivation of the 932 ACS had been mentioned. However, the U.S. message had been that:

...in the case of the 932nd Squadron, it will mean that a deactivation ceremony will take place but that all functions and facilities will still be there until an agreement has been reached to turn over the functions to the GOI [government of Iceland] (UTN, 2006d).

Understandably this did not sit well with the Icelanders. The embittered Icelandic delegates stressed that this should have been brought to their attention much earlier. Especially since, according to their sources, base authorities and U.S. embassy staff had been aware of the intention to pull the 932 ACS out a full month in advance. Adding that “the move is being perceived [by the government of Iceland] as the dismantling of Iceland’s air defence through the back door” (UTN, 2006d). Continuing, the Icelandic representatives argued that this move was a breach of an MoU between the two governments stating that a notice must be provided a year in advance and no such notice had been served.

Holding their line, the U.S. side retorted that the announcement that the defence force was leaving Iceland implied that certain functions would no longer be carried out in the same fashion as before. Continuing, that the final U.S. position had been to declare the radar sites an excess of U.S. needs, although “...considerable interagency discussions are going on in Washington, D.C. regarding this subject” (UTN, 2006d). Not impressed by such arguments, their Icelandic counterparts replied that this was not a U.S. inter-agency matter but a bilateral U.S.-Icelandic issue and that the U.S. side should have been explicit about the radar sites.

How elements within the U.S. military establishment viewed the closure of Keflavík base will only be revealed in the distant future but what is certain is that after May 2006 connectivity between IADS and the North American Aerospace Defense Command (NORAD) was severed, depriving command centres in North America of the Recognised Air and Sea Picture of the North Atlantic:

What explains it is a technical problem. They [United States Air Force] operated the NATO systems in Iceland by using U.S. crypto keys and connections. They of course

stopped supplying us with their crypto keys when they left and we started to run the system on NATO crypto keys. The problem is that NORAD in the U.S. does not accept NATO crypto keys so the systems [IADS and NORAD] do not mesh together. In the end the Canadians acquired NATO crypto keys and the connection between IADS and NORAD was restored in 2010 through the Canadian side (Commander Keflavík Air Base, 2013).

As the U.S. government had terminated its obligation to operate the system and the Icelandic government had no legal framework in place to regulate the functions of the Radar Agency IADS now existed within a legalistic limbo. However, the system was intended to meet the defence needs of NATO and its members and as soon as the U.S. government announced in March that it intended to close Keflavík base NATO agencies and other NATO member nations began to show interest in IADS:

Representatives from NATO organizations began to visit us as well as representatives from SHAPE. Asking us what they could do to support us. The Norwegians and Canadians sent a team of 15 people who stayed here for two weeks to teach us [...] The Norwegians send men over on a regular basis to train us and continue to give enormous support. They are actually offering more training than we can absorb [...] The Canadians were quick to react and so did the Norwegians and NATO organizations in Belgium. They just strolled in and asked what they could do to help. So, NATO began as early as the summer of 2006 to do something (Commander Keflavík Air Base, 2013).

Although the Radar Agency staff had decided to pick up the ball Iceland was without any form of air defences after the removal of the last F-15 fighter jets. Soon after the formal handover of Keflavík base two Russian Tupolev-95 bombers appeared within Iceland's MADIZ, the first such flight since 2003. Icelandic officials had been informed through NATO intelligence channels beforehand (Former senior official within the Icelandic Defence Agency, 2014). Understandably, the Icelandic authorities were unsure about how to respond. A senior official involved in the transition phase (who would later become a senior official within the Icelandic Defence Agency) describes the event in such a way:

No one knew whether the planes would turn back or be intercepted by the Norwegians or what [...] eventually the Russians were intercepted by the Norwegians. After that some system was put in place so we knew what procedures take place when the Russians fly their bombers to Iceland. This event triggered certain things, the ball started to roll towards air policing (Former senior official, the Icelandic Defence Agency, 2014).

Soon after the U.S. departure Icelandic officials within the Ministry for Foreign Affairs began to discuss within NATO Military Committee how to address Iceland's

lack of air defences as the ability to intercept Russian bombers was of course a question of affirming Iceland's territorial integrity and sovereignty. From NATO's perspective having no interception capabilities, apart from Norway, in the Northern Flank of the alliance raised concerns among other NATO members.

But how could Iceland solve its lack of air defence? The United States had not been willing to maintain a continuous fighter presence in Iceland. Therefore, it was hardly realistic that other NATO members would be willing to do so. However, a compromise might be reached. After consultation between the Icelandic Ministry for Foreign Affairs and the Headquarters of the U.S. Air Force in Ramstein, Germany (Senior official, Ministry for Foreign Affairs, 2013) the conclusion was reached that since Iceland was not faced with a military threat in the foreseeable future a periodical air policing deployment four times a year was best suited to meet Iceland's needs.

The future arrangement of Iceland's air defence now began to take shape. On 2 July 2007 NATO Military Committee decided that the operation of IADS had to be continued (Ministry for Foreign Affairs, 2007a) and soon after work began to integrate IADS into NATINADS. Following the decision, the Icelandic Ministry for Foreign Affairs announced later that year in October that regular NATO Air Policing missions in Iceland would start in spring 2008 (Ministry for Foreign Affairs, 2007b).

6.2. Icelandic institutional defence framework

In May 2006 the Independence Party and the Progressive Party renewed their coalition government, although with certain changes. The Independence Party took over the premiership, and while Geir Haarde moved into the Prime Minister's office the Progressive Party assumed responsibility for the Ministry for Foreign Affairs. The new government had enough on its plate in addressing the U.S. legacy: redundant base facilities had to be disposed of and a permanent solution was needed to fund Keflavík international airport. On 26 September the Icelandic government issued a statement (Office of the Prime Minister, 2006c) declaring: (1) the establishment of a corporate entity designed to facilitate the transfer of buildings within the old base area into civilian use, (2) the planned enhancement of the Coast Guard's Search and Rescue capabilities, and (3) planned arrangements to read the radar signals produced by the Radar Agency.

With these first tentative steps taken, the next move was to realign Iceland's defence policy in light of the closure of Keflavík base. In a speech at the NATO Summit in Riga in November 2006 Prime Minister Geir Haarde brought up Iceland's lack of air defence, and a month later the Icelandic government sent a formal request to NATO Secretary General Jaap de Hoop Scheffer to instruct the

NAC to direct the NATO Military Committee to develop alternatives for Iceland's peacetime preparedness needs.

In light of added defence responsibilities further Icelandic representation was needed within the NATO decision organizational structure (Icelandic Defence Agency, pp. 30, 121, 2010). In 2006 the Icelandic Foreign Minister appointed both a representative to SHAPE and NSIP, roles previously handled by the United States.

Unlike other NATO members Icelandic had never ratified the 1951 Agreement between the Parties to the North Atlantic Treaty regarding the Status of their Forces, more generally referred to as NATO-SOFA. The agreement defines the legal status of military forces of one NATO state when operating on the territory of another NATO member. The reason was that the 1951 Defence Agreement made NATO-SOFA redundant as article 11 of the defence agreement provided that military forces from other NATO members in Iceland enjoyed the same legal status as U.S. military forces (Parliament, 2007). With the departure of the defence force it was necessary to rectify the situation. In March 2007, the government ratified NATO-SOFA and the 1995 Partnership for Peace Status of Force Agreement between NATO members and countries participating in the Partnership for Peace programme.

A month later, the Icelandic government took steps to deepen its security and defence cooperation with its neighbouring NATO allies. On 26 April 2007 Foreign Minister Valgerður Sverrisdóttir signed a bilateral security framework with her Norwegian counterpart, Jonas Gahr Støre, emphasising joint consultation, information sharing and force cooperation in the sea and air around Iceland and a joint declaration with the Danish Foreign Minister, Per Stig Møller, on increased Icelandic-Danish security and defence cooperation. Similar agreements followed with the United Kingdom in May 2008 and Canada in October 2010. This deepening of defence cooperation with other NATO allies was an attempt to compensate for the loss of U.S. military presence, but they were no substitute for the defence force or Iceland's defence relationship with the U.S.

Securing periodical NATO air policing missions, ratifying NATO-SOFA and seeking active defence cooperation with Iceland's geographical neighbours were all steps taken less than a year after the closure of Keflavík base but the main task of creating a legislative framework for defence tasks in Iceland previously handled by the U.S. military had to wait.

Fortunately, the Icelandic government had been given a breathing space – a gap year to absorb and digest. The U.S. was still obliged to finance IADS until mid-August 2007, and maintain for a year those 83 NATO facilities not immediately taken over by the Icelandic government. When that time was up funding was taken over by the Ministry for Foreign Affairs, but what would happen to the Radar Agency remained unclear. As 2007 turned into 2008, the best choice at hand seemed to be the creation of a new government agency subordinate to the Ministry for Foreign Affairs; or as a senior official phrased it:

The Icelandic government was handed overnight a township of 5,000 people. Who was going to be responsible for this? Of course, the Ministry for Foreign Affairs, or the Office of Defence within the Ministry, while no permanent solution had been found. [...] But who was going to go in and check if the lights were on or the buildings were heated? No one was doing that. Then pipes start bursting in the buildings during the freezing October nights and people are faced with huge damages. This event, in my opinion, reinforced the idea that we needed to get the entire package out of this house and put it in the hands of a special agency that should be situated within the Keflavík base area and take care of this (Senior official, Ministry for Foreign Affairs, 2013).

Following Parliamentary elections in the spring of 2007 the Independence Party/Progressive Party coalition came to an end. However, this did not consign the Independence Party to opposition. With 43 out of 63 members of Parliament the Independence Party and the Social Democratic Alliance formed a new coalition government. Haarde retained the post of Prime Minister which he had assumed after Ásgrímsson's retirement from politics in mid-June 2006 and the leader of the Social Democratic Alliance, Ingibjörg Sólrún Gísladóttir, took up the post of Foreign Minister.

As the ideological successor to the Social Democratic Party, The Social Democratic Alliance was a supporter of Iceland's membership in NATO. However, Social Democratic Alliance party conference resolutions have only made fleeting references to NATO and then in the context of the added value Iceland stood to gain by cooperating with other sovereign states through international institutions (Social Democratic Alliance, 2005). But any mention of the Icelandic-U.S. defence relationship or the 1951 Defence Agreement has been absent from Social Democratic Alliance party conference resolutions. The silence was understandable for two reasons. After all, the Social Democratic Alliance was a fusion of three left of centre parties, including members of the radical People's Alliance. Therefore, the left wing of the party would not be comfortable supporting a defence agreement which in a previous political live they had opposed.

Secondly, the value of retaining the fighter planes at Keflavík base had remained elusive to the leadership of the Social Democratic Alliance. A year after the 2003 U.S. attempt to remove the fighters from Keflavík base, the Social Democratic Alliance set up an internal security and defence policy working group. Its conclusion was that far from serving a military role the four remaining fighters at Keflavík base were much more a symbolic gesture of U.S. defence commitments to Iceland rather than meeting any perceived military threat. Thus, the U.S. should have a free hand to reduce its military presence and its responsibility for Keflavík airport ("Skiptar skoðanir um loftvarnir," 2004). The Social Democratic Alliance agenda did not include revision of the defence agreement but there was not much political capital in retaining the fighters.

When it came to forming a government, the Independence Party and the Social Democratic Alliance did not come across any stumbling blocks in terms of security and defence. In fact, no mention was made of NATO or the 1951 Defence Agreement in the Independence Party/Social Democratic Alliance coalition manifesto, however, it did refer to western cooperation as a permanent cornerstone of Iceland's foreign policy (Office of the Prime Minister, 2007). An alternative expression for maintaining the status quo regarding Iceland's defences.

With a new government in power the necessity for some kind of a legislative framework was surely pressing. Within the Ministry for Foreign Affairs, officials were pondering alternatives (Senior official Ministry for Foreign Affairs, 2013a). One option discussed was to create a legal framework around the functions of the Radar Agency and maintain it as a sub-organization within the Office of Defence at the Ministry for Foreign Affairs. Although a viable option the government decided that something more radical was needed and chose a different route:

Yes, the governance had always been within the Ministry for Foreign Affairs, and it began formulating a legal framework. My opinion was that this was a child of a past era... the Radar Agency that is. Now we were responsible for our own defence and we had to lead the way in building up knowledge to deal with this. I did not think it was necessarily right that it should be interwoven with other work within the Ministry. I wanted to remove it from the Ministry and that is how the idea about an Icelandic Defence Agency was born. An agency that would lead in our [Icelandic] security and defence matters, and accumulate knowledge (Social Democratic Alliance, former member of cabinet, 2014).

In late November 2007, Foreign Minister Gísladóttir announced the forthcoming establishment of an Icelandic Defence Agency (“Varnarmálastofnun reki ratsjárstöðvar,” 2007). Within its purview would fall NATO Infrastructure in Iceland, the hosting of military exercises in Iceland and the responsibility for communicating classified information between Icelandic authorities and NATO. By mid-January 2008 the government was prepared to introduce the defence act bill (Varnarmálalög) in Parliament. In essence, the purpose of the act was fourfold:

1. Delimit the powers of the Icelandic authorities regarding defence related projects;
2. Distinguish between defence related projects and civilian projects pertaining to law enforcement and internal security of the state;
3. Distinguish between policy and implementation issues in the field of defence; and
4. Facilitate the democratic control of defence related activities (Parliament, 2008c).

It followed that the proposed defence agency would fall within the purview of the Minister for Foreign Affairs. On 17 January 2008, Foreign Minister Gísladóttir opened the debate on the defence act in Parliament (Parliament, 2008a). After the closure of Keflavík base responsibility for IADS and various NATO facilities had been transferred to the Icelandic authorities and to carry out these functions the defence act would set up a new agency that would also represent Icelandic authorities' vis-a-vis allied forces visiting Iceland.

Delving into the administrative and legalistic premises of the defence act Gísladóttir argued that the bill created a clear legal framework for defence tasks by safeguarding transparency and administrative controls while building a legal firewall between defence on one hand and law enforcement and civil emergency on the other. What the defence agency was tasked to do vis-à-vis NATO was set out in Article 7 of the defence act:

1. Operate IADS, including NATO communication and radar sites in Iceland;
2. Participate in coordinated NATO air surveillance and air policing in Iceland;
3. Supervise and manage the Security Areas, and facilities within them, owned by the Icelandic state and NATO in accordance with Iceland's Host and User Nation responsibilities;
4. Prepare and supervise defence exercises held in Iceland;
5. Implement Host Nation support on behalf of the Icelandic government;
6. Operate data links connected to NATO information systems as well as processing information from those systems;
7. Participate in NATO committees and agencies. Although the Minister for Foreign Affairs might also appoint representatives from other government agencies, in consultation with the relevant Ministry, to sit in a NATO committee within the sphere of civilian cooperation;
8. Perform tasks associated with the implementation of the 1951 Defence Agreement and the NATO-SOFA Agreement (Parliament, 2008c).

In addition, the defence act defined the defence agency as the main advisory authority on defence matters within the Icelandic governance structure.

On 1 June 2008 the Icelandic Defence Agency opened its doors for the first time. In essence it was an amalgamation of a number of institutions. At its core was the staff of the now defunct Radar Agency alongside officials transferred from the Office of Defence within the Ministry for Foreign Affairs. With the strategic course plotted by the Ministry for Foreign Affairs, and tactical execution entrusted to the Defence Agency Gísladóttir claimed that "... a new chapter has been opened up whereby Icelanders are for the first time wholly responsible for their own security and defence" ("Ísland er og verður herlaust land," 2008).

The establishment of the Defence Agency ended the unclear status of the Radar Agency within Icelandic public administration. All of its tasks and 38 employees were integrated into the new agency (Parliament, 2008d). The Defence Agency was fundamentally not the creation of something new but a way to collect defence tasks in Iceland under one administrative hat. Tasks that had been carried out in Iceland for decades by the U.S. military, either fully or partially.

The purpose of the defence act was to rationalize the execution and responsibility of defence tasks in Iceland and end ambiguities or confusion about them. However, the National Commissioner of Police retained its pre-established links to NATO and continued to participate in civilian security and civil defence cooperation within NATO (Parliament, 2008e). In addition to continue to carry out background checks on personnel that required NATO security clearances, although, legal responsibility was transferred to the Defence Agency.

The Defence Agency was headquartered in the ISSF building next to the CRC in the heart of the old base area. It acted as a conduit between the civilian and military world vis-à-vis visiting NATO forces by providing them with the services they might need. Such as cooperation with Icelandic aviation and airport authorities, fire services, security, housing etc. As with any new agency, there was a steep learning curve. Already in early May 2008 the first NATO Air Policing mission was scheduled to arrive in Iceland. The fact that the French air policing squadron arrived before the agency became fully active put extra strain on everyone involved:

They start [French NATO Air Policing] before the agency became operational which was rather peculiar, but it went really well and the French were very understanding. [...] We were so few and everything was happening at the same time. We were not connected to the government state accounts or any government system. I had been involved in preparing all that in the transition phase but it could not be activated until the agency become formally operational [1 June]. [...] We worked around the clock for 24 hrs. Some of the staff slept on mattresses because there was no time for them to go home, there were simply all hands-on deck. (Former senior official, the Icelandic Defence Agency, 2014).

But the staff also had to deal with other teething troubles. One was the question of how to bring the NATO crypto keys needed to maintain connectivity between IADS and NATINADS to Iceland:

We didn't have any couriers, so to begin with XXX flew out every month to fetch the crypto keys needed to operate the systems. After a bit of a hassle XXX got a lift with an Icelandair cargo plane and sat with the box in her lap, couldn't take her eyes of it. [...] After some time, we became acquainted with Danes [Danish Air Force] and they offered, free of charge, to pick up the crypto keys and drop them off in Keflavík on their

routine flights to Greenland. [...] There were a number of these little things that we were able to handle and look after. You start from scratch. You can't just mail the crypto keys and you don't have any military establishment so how are you going to do things? (Former senior official, the Icelandic Defence Agency, 2014).

For Icelanders this was a whole new chapter but the assumption of responsibilities was met with encouragement and anticipation from other NATO members:

From day one an unnamed fellow NATO member offered assistance and help which we accepted. They were very clear from the start that they were willing to teach, assist and guide us as much as we liked. We only had to let them know how much help was needed but they expected us to learn. 'We will make little as no demands for the first year, some for the next, further demands after two, and after three years you will just have to do this like any other NATO member.' [...] Expectations and requirements went together hand in hand. The requirements were that we would gradually become better and better (Former senior official, the Icelandic Defence Agency, 2011).

In the face of a steep learning curve and teething problems the staff at the Defence Agency accumulated knowledge and expertise although it would prove to be short lived.

On the whole the Icelandic government had proved adept in responding to the closure of Keflavík base. The U.S. government was still bound by the 1951 Defence Agreement to defend Iceland while the Icelandic government had secured itself periodic NATO air policing missions in Iceland. At the same time Keflavík airport, had been made financially self-sufficient with the creation of a state-owned enterprise and a similar solution was worked out for those U.S. base facilities in excess of Iceland's defence needs as they were handed over to a publicly owned development company.

However, unlike previous coalitions government for whom Icelandic defence policy had been interchangeable with managing the external relationship with the United States, for the new Independence Party/Social Democratic Alliance coalition the focal point shifted towards accommodating defence tasks within Icelandic public administration previously carried out by the defence force. That work had already begun by the previous coalition i.e. setting up a permanent administrative framework for Keflavík airport and the old base area, but also through improving coordination among government ministries, revising civil defence legislation and by strengthening the Coast Guard.

Throughout the decades the existence of Keflavík base had created a special status for the Ministry for Foreign Affairs within Icelandic public administration, a position that was set to cause friction between ministries and their political masters after the closure of Keflavík base. Shortly after the arrival of the defence force in

1951 Parliament had designated the Ministry for Foreign Affairs as a point of contact for the defence force in all of its relations with Icelandic authorities and as such was responsible for administering Icelandic government functions within Keflavík airport and the base itself (Parliament, 2008f). In that capacity the Ministry for Foreign Affairs held a wide-ranging portfolio (Parliament, 2006b) such as: law enforcement, judicial affairs, customs, post and telecommunication and civil aviation.

Of course, with the defence force gone the rationale for the Ministry for Foreign Affairs to embody all government functions within the airport and the base area had evaporated and while the Ministry for Foreign Affairs retained responsibility for the newly designated security area within the heart of the old base area other government ministries took over the daily function of Keflavík airport. Responsibility for Keflavík airport aviation authority was transferred from the Ministry for Foreign Affairs to the Ministry for Transportation (Parliament, 2006d), the Keflavík airport Police District Commissioner was transferred to the Ministry of Justice and Ecclesiastical Affairs (The Icelandic National Audit Office, 2008) while customs administration became the responsibility of the Ministry of Finance.

As the Ministry for Foreign Affairs saw its portfolio wane with the departure of the defence force other government ministries were gaining new responsibilities and funding. Among them the Ministry of Justice and Ecclesiastical Affairs. Without a Ministry of Defence, Ministry of Justice and Ecclesiastical Affairs was the closest thing Icelanders had to such an establishment. Its security portfolio included: law enforcement; Coast Guard; and civil protection (Parliament, 2006e). Therefore, it was not surprising that Foreign Minister Gísladóttir, and Justice and Ecclesiastical Minister Björn Bjarnason (Independence Party) held separate views about what future defence administrative arrangements best suited Iceland.

Aware of the link between the defence force and Search and Rescue capabilities in Iceland the Ministry of Justice and Ecclesiastical Affairs had started the process of improving civil defence coordination and centralisation throughout Iceland before the closure of Keflavík base. Revision of the civil defence legislation had already begun in early March 2005 and the urgency of completing its revision made its way into a 2006 government statement issued to address the tasks at hand following the closure of Keflavík base:

To enhance public security, the revision of the Civil Defence Act must include the creation of a centre that connects together all those associated with internal security. Whether the threat comes from natural disasters or is man-made [...] [its] daily operation shall be the responsibility of the Ministry for Justice, and he will introduce a new bill in Parliament on Civil Defence and Protection (Office of the Prime Minister, 2006).

In October 2007, Bjarnason introduced in Parliament a civil defence bill that included provisions for the creation of a centralised search and rescue monitoring centre situated in Skógarhlíð in Reykjavík (Parliament, 2007b) and an emergency backup centre located at Akureyri in northern Iceland. While the Ministry of Justice and Ecclesiastical Affairs was centralising and strengthening its response to natural and man-made disasters it could be argued that the creation of a separate legal framework around a defence agency might in fact reduce civil protection efficiency and centralisation.

This concern was indeed articulated by Bjarnason in a speech given to the security and defence forum Varðberg in spring of 2007 (Bjarnason, 2007). Acknowledging that the 1951 Defence Agreement remained the cornerstone of Iceland's defence policy Bjarnason argued that the most pressing concern for Iceland's security had more to do with internal factors such as organized crime terrorism etc. than external state centric security threats. In turn, this change was reflected in how the security relationship between Iceland and the United States had evolved from national defence to homeland security. A fact clearly evidenced in the October 2006 agreement between Iceland and the United States in which the two sides decided to strengthen collaboration between Icelandic and U.S. law enforcement agencies such as Coast Guard; police, customs and immigration authorities. All of which fell within the purview of the U.S. Department of Homeland Security.

In line with his thought on the growing importance of internal security institutions Bjarnason rejected the need for a separate government agency tasked with operating IADS:

I believe that the monitoring of these signals [IADS radar signals] should, on the one hand, be the responsibility of air traffic controllers, and on the other hand that of the staff of the search and rescue monitoring centre in Skógarhlíð, in addition to which they should be fed into the NATO monitoring system. It is completely unnecessary to maintain a special monitoring centre to handle the signals gathered with the Radar Agency equipment (Bjarnason, 2007a).

In December that year a Ministry of Justice and Ecclesiastical Affairs report reiterated Bjarnason's concerns that a separate government agency, created around the function of IADS would be a deviation from ongoing coordination of security actors (Ministry of Justice and Ecclesiastical Affairs, 2007, p. 10). A step that should only be taken after careful consideration. Additionally, the Ministry of Justice and Ecclesiastical Affairs was of the opinion that the Coast Guard should have a direct line of communication with NATO Maritime Command in Northwood, United Kingdom and access to the NATO BICES-information system.

Clearly, what was at stake was what role the Ministry of Justice and Ecclesiastical Affairs would have in filling the defence vacuum after the closure of Keflavík base.

Through the strengthening of its civil defence mechanism, the expansion of its cooperative ties with security agencies in neighbouring countries and arguing in favour of gaining control of IADS the Ministry of Justice and Ecclesiastical Affairs was asserting itself as the leading ministry in matters of security and defence. This assertiveness manifested itself through the activity of the Coast Guard that had traditionally enjoyed close cooperation with its sister organizations in countries bordering the North Atlantic. Now this cooperation deepened. The October 2006 agreement between Iceland and the United States for enhanced security cooperation; the 2007 security and defence framework agreement with Norway; and the joint Icelandic-Danish declaration on increased cooperation in the fields of security were outreach initiatives that called for active involvement of the Ministry of Justice and Ecclesiastical Affairs (Parliament, 2007a) since much of the practical co-operation, would be handled by the Coast Guard.

By late 2007 the Ministry for Foreign Affairs and the Ministry of Justice and Ecclesiastical Affairs were presenting competing viewpoints on what ministry should take the lead in becoming the primary ministry in matters of security and defence and it would be up to the leaders of the coalition to find a solution:

The political weight was such... the chairman of the Social Democratic Alliance was the Minister for Foreign Affairs, and if the leader of a coalition partner takes something to heart then there is not much you can do [...] if the Prime Minister and the Minister for Foreign Affairs, who are also leaders of the coalition partners, decide on this course of action then that has to be accepted (Independence Party, former member of cabinet, 2014b).

When in January 2008 Foreign Minister Gísaldóttir introduced the defence act bill in Parliament the two ministries had reached an amicable understanding. Foreign Minister Gísaldóttir affirmed that defence would remain a portfolio within the Ministry for Foreign Affairs. In a speech to Parliament Gísaldóttir drew a line between the responsibilities of her ministry and the Ministry of Justice and Ecclesiastical Affairs as a division between external and internal security whereas the Ministry for Foreign Affairs shouldered responsibility for defence tasks:

In our part of the world it is universally accepted that those government bodies responsible for law enforcement, and matters of the interior, are not assigned tasks that have to do with safeguarding the external security of the state [...] This bill erects a legal firewall between those two government functions, i.e. defence tasks on the one hand and law enforcement and civil protection on the other hand (Parliament, 2008b).

During the ensuing Parliamentary debates Bjarnason concurred with the major points raised by Gísaldóttir (Parliament, 2008b). The bill excluded civilian security

agencies such as law enforcement and civil protection while encompassing the governance of defence tasks on Icelandic territory, defence cooperation with other states and defence organizations i.e. NATO. While excluding civilian security agencies Bjarnason rejected any interpretation that the bill would affect contacts Icelandic law enforcement agencies had already established with foreign partners.

But was it possible to maintain such a clean-cut division between external and internal security? After all, the Coast Guard was in close cooperation with naval establishments in neighbouring countries and the Ministry of Justice and Ecclesiastical Affairs had reached the conclusion that the Coast Guard would benefit by having access to NATO information systems and connections to NATO Maritime Command. Eventually, the defence act bill became law and the Defence Agency became operational in the spring of 2008. However, the seeds for further changes had been planted although that would have to wait until a change of government had taken place.

6.3. The Icelandic defence framework 2009-2013

The future of the Defence Agency seemed secure but few months after its creation a calamity struck the Icelandic economy. Caught up in the international financial maelstrom, the three major commercial banks in Iceland, Glitnir, Kaupthing and Landsbanki were unable to re-finance themselves and went into default in late September and early October 2008. With a plummeting currency, rising unemployment and skyrocketing public debt the collapse threatened to drag the Icelandic economy down with it. The political repercussions were equally dramatic. In late January 2009, the coalition government was brought down in the aftermath of the financial collapse. The Independence Party was out of government, Gísaldóttir, left politics and the Social Democratic Alliance, led by Jóhanna Sigurðardóttir, formed a minority government with the Left Green Movement. The Social Democratic Alliance/Left Green Movement coalition was an interim government until elections could be held in May that year and as a sign of the times the new government did not hold a majority in Parliament – unusual in Icelandic political history. Instead, the government was protected from a vote of no confidence by the Progressive Party.

Following Parliament election the Social Democrats and the Left Greens renewed their coalition but this time with a clear majority mandate in Parliament. Understandably, most of the government manifesto (Office of the Prime Minister, 2009) was devoted to proposals intended to tackle Iceland's economic woes and balance the government budget. Still, in matters of defence the new government emphasised the need for an Icelandic defence policy founded on a broadly defined security concept, therefore, the need for the Defence Agency and NATO air policing missions in Iceland would have to be re-evaluated.

But how much of that decision could be attributed to rational calculation of savings and costs as the new government was frantically seeking ways to balance the post-collapse government budget or the result of political bargaining between the Social Democratic Alliance and the Left Green Movement? As the ideological successor to the People's Alliance the Left Green Movement was adamantly opposed to the defence relationship with the United States and Icelandic membership in NATO. The first Left Green Movement manifesto following their 1999 national convention did not devote discussion on an Icelandic defence policy or the defence relationship with the United States (Left Green Movement, 1999). The party was still reforming after the break-up of the People's Alliance but by 2001 the Left Green Movement national convention made de-militarization of Iceland its formal policy (Left Green Movement, 2001) and called for immediate negotiations between the Icelandic and U.S. government for the removal of the defence force and for Iceland to leave NATO.

For the Left Green Movement the eventual closure of Keflavík base was a stepping stone towards a pacifist Icelandic foreign policy that would see Iceland outside of military alliances. Therefore, it was not surprising that during the defence act bill discussions in Parliament in 2008 the Left Green Movement passionately opposed the creation of an Icelandic defence agency (Parliament, 2008b). Their criticism was levied at Gísaldóttir for introducing a bill that would tie Iceland into the military component of NATO while opening the country up for free access of NATO forces. Iceland should stay outside of military alliances as the country was in no need of military forces and the costs associated with funding a defence agency would be of better use if it was allocated to law enforcement agencies.

It would be up to the chairman of the Left Green Movement, Steingrímur J. Sigfússon, to summarise his, and his fellow Left Green Movement member's opposition to the defence act bill (Parliament, 2008h). During Parliamentary discussions, Sigfússon briefly outlined the geopolitical changes since the end of the Cold War before criticising Gísaldóttir for introducing the bill without previously establishing a bi-partisan consultation process and conduct a thorough risk assessment to define Iceland's defence needs. On a political note, Sigfússon criticised the bill for pushing Iceland into military functions of NATO of which it had never participated, thus changing Iceland's status as a passive member of NATO. While further adding his concern that the allocated budget to defence would in coming year's balloon out of control.

Left Green Movement hostility to the defence act and the creation of the Defence Agency was thus well established. In Parliament the Left Green Movement was isolated in its opposition as they were the only members of Parliament who voted against the bill. Therefore, when coalition negotiations began in January 2009 between the Social Democratic Alliance and the Left Green Movement it was to be expected that the 2008 defence act and the Defence Agency would be a topic for discussion.

Coalition governments are based on compromises and the May 2009 government manifesto of the Social Democratic Alliance/Left Green Movement coalition bore witness to the fact that both sides had to give way on issues in which they had previously invested political capital. Before the 2008 financial crash the Social Democratic Alliance had been a champion for Icelandic European Union (EU) membership and after the crash its leadership began to view an Icelandic membership of the EU as way out of the economic morass (Jóhannesson, 2009, p. 306). Therefore, the Left Green Movement had to give way on their opposition to Icelandic application to the EU and accept the Social Democratic Alliance position that Iceland should begin accession negotiations as soon as possible (Office of the Prime Minister, 2009). Reciprocally, the Social Democratic Alliance agreed to revise the function of the Defence Agency and NATO Air Policing missions in Iceland.

But why make it a government policy to reassess the function of a government agency less than a year after it was established? The most obvious reason was a desperate need to balance the government books. Secondly, in March 2009 an interdisciplinary security and defence commission (appointed in 2007 by Foreign Minister Gísladóttir) delivered the first ever risk assessment for Iceland. The commission concluded that risks stemming from other sources such as environmental disasters, financial instability, organized crime etc. overshadowed military threats, and in terms of severity and likelihood were not a pressing concern (Ministry for Foreign Affairs, 2009). Consequently, reducing costs within the most recent category of government expenditure: defence seemed a palatable option.

The phrasing revise, however, did not do justice to the actual negotiations between the two parties regarding the fate of the Defence Agency and revision of the defence act. For the Left Green Movement that only a year before had opposed the defence act on the basis that it entrenched Iceland within the military components of NATO nothing less than its abolition was on the table for the Social Democratic Alliance to accept:

It was a clear demand by us the Left Greens to abolish the agency and we had our way of course [...] we felt that most of its functions was unnecessary and that it should be shut down. Regarding the radar sites and receiving the signals we felt that others could do it and we looked immediately to the Coast Guard (Left Green Movement, former member of cabinet, 2015).

Although the demand was not to eliminate all of its tasks, the Left Green Movement perceived the Defence Agency as a quasi-military institution that needed to be put down and its functions relocated to more acceptable organizations:

The Defence Agency was defined on a purely military basis and around those people [Staff of the Defence Agency] everything evolved around a military threat, NATO,

and military cooperation. We wanted to push that aside and relocate those functions that remained into agencies that were defined as being civilian (Left Green Movement, former member of cabinet, 2015).

For the Social Democratic Alliance shutting down the Defence Agency had been one of the compromises needed for the Social Democratic Alliance/Left Green Movement coalition to take off, but why did the Social Democratic Alliance so readily accept the demand? One reason was an electoral pressure on the Social Democratic Alliance and the Left Green Movement to form a government. Prior to the elections, the Social Democratic Alliance and Left Green Movement leaders had signalled that they were willing to continue the coalition after the election (“Áhugi á lengra samstarfi,” 2009). Following the elections, the Social Democratic Alliance and the Left Green Movement gained the combined majority of the electoral votes and a clear mandate to form a government. While the Social Democratic Alliance increased its share of the vote from 26.8% to 29.8%, the Left Green Movement grew from 14.3% to 21.7%, their best result in any parliamentary election to date (“Þingmeirihluti fyrir aðildarumsókn að ESB,” 2009). At the same time, the electorate mercilessly punished the Independence Party which lost a third of its electoral support, shrinking from 36.6% to 23.7%.

Another reason for the abrupt U-turn was a change of leadership within the Social Democratic Alliance. The Defence Act and the creation of the Defence Agency had been carried out under former Social Democratic Alliance leader, Ingibjörg Sólrún Gísladóttir. However, in September 2008, Gísladóttir was diagnosed with a brain tumour and was still undergoing treatment in January 2009 when she took the decision to relinquish the leadership role of the Social Democratic Alliance and retire from politics. When negotiations took place between the two parties about a future Social Democratic Alliance/Left Green Movement coalition, Gísladóttir had already left the political scene and the party reins passed on to her successor. Eventually it would become the responsibility of Gísladóttir’s Social Democratic Alliance replacement at the Ministry for Foreign Affairs, Össur Skarphéðinsson, to revise the defence act and abolish the Defence Agency. Skarphéðinsson had previously served as chairman of the Social Democratic Alliance from 2000 until being unseated in 2005 by Gísladóttir who ran against and defeated Skarphéðinsson in a bid for the party leadership. Clearly, her successor at the Ministry for Foreign Affairs had not invested the same amount of political capital in the Defence Agency and not as attached to its survival.

Already in early February 2009, Foreign Minister Össur Skarphéðinsson had hinted that savings might not be restricted to reducing funds allocated to the Defence Agency, but might include abolishing it altogether (“Sparnaður til athugunar,” 2009). Later that month, the Chairman of the Parliament Foreign Affairs Committee, the Left Green Árni Þór Sigurðsson, (“Varnarmálastofnun kannski lögð niður,” 2009)

went even further by stating that the agency would be shut down and its functions relocated within pre-existing civilian institutions, such as the Coast Guard and civil aviation authorities.

Apparently, the post-financial collapse government had already reached a decision about the future of the Defence Agency. With a full mandate following the 2009 spring elections, the renewed Social Democratic Alliance/Left Green coalition set about implementing its policy. The closure was to be combined with a far-reaching restructuring of public administration that would include a reduction of government ministries from twelve to nine. Eventually, on 4 December 2009 the government formally agreed to abolish the Defence Agency and transfer its tasks to institutions within a restructured Ministry of the Interior. After the government had reached its decision, in early December 2009, a working group was established headed by the Ministry for Foreign Affairs. Its mandate was to evaluate how best to integrate defence tasks with other government agencies.

The group handed in its proposals in early March 2010. Its conclusions were that the tasks of the Defence Agency alongside the Coast Guard and the Maritime Traffic Authority should be relocated within a new agency subordinate to the Ministry of the Interior. Regarding Icelandic representation within NATO the working group suggested a division of labour between the Ministry for Foreign Affairs and the soon to be Ministry of the Interior: The Ministry for Foreign Affairs would continue to handle NATO's political aspects, such as representing Iceland in the NAC while the Ministry of the Interior would be responsible for the military aspect of NATO cooperation. Thus, when the transition would be complete, the Ministry of the Interior would assume the de facto role as Iceland's Ministry for Defence from the Ministry for Foreign Affairs.

Indeed, there was clear added value for the Coast Guard and the National Commissioner of Police to take those tasks over (Ministry for Foreign Affairs, 2010, pp. 17-18). The Coast Guard would improve its situational awareness in the North Atlantic by being able to disseminate the Recognised Air and Sea Picture produced by IADS and the National Commissioner of Police would improve its risk assessments and analysis for general national security purposes by gaining access to NATO information systems.

During the interim period the working group suggested that (Ministry for Foreign Affairs, 2010, p. 24) the Coast Guard should assume responsibility for: (1) IADS, air surveillance, and implementing air policing missions; (2) organising and managing defence exercises; (3) implementing Host Nation Support; (4) participation in relevant NATO committees and agencies; and (5) responsibility for implementing the 1951 Defence Agreement. The National Commissioner of Police was to be allotted the tasks of (1) National Security Authority; (2) running security clearances on required personnel, security grade classified information and (3) participate in relevant NATO committees and agencies. Additionally, both government bodies

were expected to process and disseminate information from NATO information systems.

But what view did the two agencies tasked to shoulder these additional responsibilities have towards the proposed change? In its assessment given to Parliament, the Coast Guard argued (Parliament, 2010f) that the creation of the Defence Agency had in fact hampered their cooperation with military authorities in neighbouring allied countries (the Norwegian Coast Guard and the Danish Navy in the seas around Iceland) since the Defence Agency had insisted on being the only intermediary between government agencies in Iceland and foreign military bodies. Consequently, following the closure of the Defence Agency that relationship should return to what it had been before. In addition, the Coast Guard agreed that its information about maritime traffic in the seas around Iceland would improve by taking over IADS.

From its vantage point, the National Commissioner of Police raised no objections to assume the role of National Security Authority. However, the National Commissioner of Police did argue these two agencies dealt with different aspects of security that constitute a necessary separation between military functions on the one hand and law enforcement and internal security on the other (Parliament, 2010b). Therefore, the suggested abolishment of The Defence Agency raised concerns about “A fundamental misunderstanding about what defence issues is natural to integrate with civilian tasks such as civil defence and internal security”. Clearly, the National Commissioner of Police had some reservations about the government’s decision to close down the Defence Agency and amalgamate its functions with pre-existent civilian agencies.

In early December 2010, the Minister for Foreign Affairs and the Minister for the Interior acquiesced to the recommendations of the working group and transferred the bulk of the defence tasks to the Coast Guard and the National Security Authority role to the National Commissioner of Police. The agreement between the two ministers was intended as a short-term arrangement until a formal decision could be reached about future division of responsibilities between the two ministries. Of course, the conditions for such a merger rested on the assumption that Parliament would set a new legal framework replacing the Defence Act of 2008 (Ministry for Foreign Affairs, 2010, pp. 22-23) and during the transition period the reallocation of defence tasks would be coordinated with the establishment of the new Ministry of the Interior and its new anticipated security and defence agency.

On 30 March 2010, Foreign Minister Skarphéðinsson introduced in Parliament amendments to the 2008 Defence Act abolishing the Defence Agency effective from 1 January 2011 (Parliament, 2010e). As soon as the changes were ratified by Parliament the Foreign Minister appointed a transition group responsible for the daily management of the Defence Agency until its closure. As an interim step the amendments included a clause making it lawful for the Minister for Foreign Affairs to outsource tasks that by law were its responsibility to another Ministry.

Despite these changes, Skarphéðinsson emphasised that they would not affect Iceland's defence commitments, that is to say the implementation of defence tasks handled by the Defence Agency. The planned restructuring was, however, raising some concerns among fellow NATO allies. In early December 2010 *Fréttablaðið* reported that U.S. authorities were fighting against the closure of the Defence Agency and that the U.S. ambassador in Reykjavík, Carol Van Voorst, was putting pressure on Skarphéðinsson not to do so ("Bandaríkin börðust gegn lokun Varnarmálastofnunar," 2010). Although the report – based on leaked embassy cables – may have exaggerated the extent of U.S. opposition it was clear that Ambassador Voorst had genuine concerns about the effect the financial crisis would have on Icelandic defence related expenditure.

In November 2008 Voorst had expressed concerns to the State Department that huge public debt and fiscal restraints were making cuts in the Icelandic defence budget a "... tempting target for parliament not accustomed to having to fund defense" (Wikileaks, 2009a). During the February 2009 meeting, referred to by *Fréttablaðið*, Skarphéðinsson informed Voorst that his government was under financial strain, and that he was looking at integrating some of Defence Agency tasks with the Icelandic Coast Guard. Gauging for the U.S. position towards the change Skarphéðinsson inquired whether it mattered if those tasks would be carried out by some other government agency. To which Voorst replied that the security structure set in place following the 2006 Defence Force departure was "... a flexible, relatively cheap instrument that has served Iceland and its allies well". Adding further that:

Iceland and the IDA [Defence Agency] have developed an excellent reputation with NATO militaries that have deployed here. It is important to maintain those relationships and the rhythm of exercises and deployments in order to keep standards of proficiency and facilities maintenance high (Wikileaks, 2009b)

In her concluding remarks to the State Department, Voorst expressed her concern that:

Skarphedinsson has no built-in loyalty to the IDA [Defence Agency], and though sold on the importance of NATO, he has at times been a reluctant advocate of the idea that Iceland should fund its own defense. The lure of being able to cut nearly 10 percent from the MFA's budget may simply be too much for the mercurial Skarphedinsson to resist (Wikileaks, 2009b).

But the U.S. ambassador was not the only one having reservations about the merit of closing down the Defence Agency. In Parliament, the Foreign Affairs Committee was divided in its opinion towards the proposed transfer of defence tasks from the Defence Agency. The majority was in favour of the transfer and the goal of

reorganising the Coast Guard and the National Commissioner of Police in a new agency within the planned Ministry of the Interior (Parliament, 2010a).

Unified in its opposition to the plan, the minority of the Foreign Affairs Committee split in two and handed in separate opinions. The first minority (Parliament, 2010b) questioned the utility of closing down the Defence Agency and parcelling out administrative responsibility for its tasks given that those tasks would continue to be carried out within the old base area and by the same staff as before. The decision was also criticised on the grounds that one of the main arguments for the establishment of the Defence Agency had been to ensure separation between the implementation of tasks whose very nature were fundamentally different: defence tasks intended to provide security against external state threats and internal security carried out by civilian security agencies. The objectives of the amendments were also criticised for being too vague and the first minority noted that they gave the Foreign Minister the authority to move defence and security related tasks to other agencies without explaining the expected benefits of change. Good administrative practices, they argued, called for making adaptations to the Defence Act after the proposed Ministry of the Interior had been established, instead of placing Iceland's security and defence matters in a status of uncertainty. The statement of the second minority (Parliament, 2010c) went even further and criticised the government for being politically motivated in shutting down the Defence Agency and for closing it down without a long-term strategy in sight.

The decision to transfer defence tasks from the Defence Agency to the Ministry of the Interior in January 2011 brought an end to a clear separation between civilian and military security agencies as championed by Gísladóttir in the autumn of 2007, but the change resonated well with Bjarnason's arguments for a closer synergy between the Coast Guard and defence tasks carried out by the Defence Agency. However, the idea to create a new defence agency within the soon to be created Ministry of the Interior was not supported by the soon to be Left Green Minister of the Interior Ögmundur Jónasson. In September 2010 Jónasson was quoted in a newspaper interview as saying that "There has never been an intention to create a new government agency. Instead we are closing down an agency and those tasks that will be continued will be assigned appropriately ("Hefur ekki lofað að vera þægur," 2010)."

By early December 2010 a dispute echoing the previous tug of war between Gísladóttir and Bjarnason was in full swing. Behind the scenes the new Foreign Minister Skarphéðinsson and the new Minister of the Interior Jónasson argued whose ministry should be in charge of the orphaned tasks of the soon to be defunct Defence Agency. What was at stake was different interpretation of whether closing down the Defence Agency translated into scrapping the defence tasks or relocate them. The Left Green Movement was of the former opinion while the Social Democratic Alliance was of the latter:

We wanted, the Left Green Movement wanted to shut down the Defence Agency. The Social Democratic Alliance was in agreement, and then the Minister for Foreign Affairs introduced a bill to that effect, but all of its tasks would remain more or less intact [...] now the lines had become rather unclear, but our position [Left Greens] was always clear [...] There were different visions. They [Social Democratic Alliance] wanted to maintain a lot of Defence Agency tasks associated with cooperation within NATO. We were against that and wanted to restrict ourselves to civilian tasks, those tasks associated with the military alliance [NATO] we wanted out (Left Green Movement, former member of cabinet, 2016).

For the Left Green Movement, the main issue was not the structure itself, but the defence tasks carried out within that structure i.e. air surveillance, NATO air policing etc. Meanwhile, the Social Democratic Alliance and Foreign Minister Skarphéðinsson wished to continue to operate those defence tasks the Defence Agency had performed. The outcome was a mid-December, temporary agreement between the two ministers that followed the original plan and transferred the day to day operation of the bulk of defence tasks to the Coast Guard and the National Commissioner of Police but their legal responsibility remained with the Ministry for Foreign Affairs. Neither Skarphéðinsson nor Jónasson were willing to relent and the result was an administrative limbo between two ministers with vastly different views on what Iceland's defence policy should be.

Because of this peculiar situation, sooner or later, there was bound to be a head on collision between Jónasson and Skarphéðinsson. In the spring of 2012, as a part of a government fiscal restraint programme, the Ministry of Finance requested government ministers for reduction in their budgets. For the Ministry of the Interior the request was a budget cut of 528 million ISK. Jónasson's proposed cutbacks centred on scrapping NATO air policing missions in Iceland and shut down the radar screens and the command centre of IADS. For Skarphéðinsson this amounted to a backdoor attempt by Jónasson to drag Iceland out of NATO. During a cabinet meeting on 15 June 2012 the two ministers came to blows with Skarphéðinsson refusing to accept the proposed cut:

I did not respond quietly, told him [Jónasson] that his proposals were irresponsible, a breach of the coalition manifesto and they showed that he was not to be trusted for this facet of defence. I concluded by saying that a right course of action would be if all affairs relating to the defence of Iceland should be removed from the Ministry of the Interior and returned to the Ministry for Foreign Affairs, and those handling defence made employees of the Ministry for Foreign Affairs (Skarphéðinsson, 2013, p. 194).

Despite predictable opposition by the Left Green Movement to defence tasks Skarphéðinsson suspected that there was more behind Jónasson's bid than met the

eye. After all, he stood little chance of getting his proposal through cabinet – let alone Parliament. However, the proposal exerted pressure on the Finance Minister whose constituency stood to lose jobs if IADS would be shut down and by putting pressure on the Finance Minister, the argument went, Jónasson would reduce pressure for cuts at his own ministry.

Apart from disagreeing with Jónasson on political grounds there were also arguments pertaining to international obligations towards other NATO members that Skarphéðinsson levied against the proposal (Skarphéðinsson, 2013, p. 219). After all, shutting down IADS and cancelling NATO air policing missions in Iceland would be a dramatic reversal of Icelandic foreign policy that would have to be discussed in the Parliament Foreign Affairs Committee. Jónasson backed down and a few days after presenting his first proposal he returned with a watered-down version. Instead of shutting the entire system down he now proposed to turn off two out of four radar screens while keeping IADS operational. The fundamental arguments raised by Skarphéðinsson remained the same and with the Prime Minister and other Social Democratic Alliance ministers siding with Skarphéðinsson (Left Green Movement, former member of cabinet, 2016) Jónasson's proposal stood no chance of passing through cabinet.

Despite Skarphéðinsson's speculation that the proposal was a ploy by Jónasson to draw demands for budget cuts away from his own ministry Jónasson had been true to his party policy and ideals. The Left Green Movement had no desire to continue air policing missions and operate IADS since those functions served purely defence purposes. Moreover, the proposal was fully in line with a parliamentary resolution presented by the Left Green Movement that previous year calling for a national referendum on Icelandic membership in NATO (Parliament, 2011). The resolution never made its way through parliamentary procedures to be voted on by members of Parliament, but clearly the Left Green Movement held dear its opposition to NATO. The result was that the two ministers were never able to work out their differences and settle the defence tasks permanently within the Ministry of the Interior, or revert them back under control of the Ministry for Foreign Affairs.

The coalition had been precarious from the start and the two parties differed on other issues apart from defence. Domestic politics were to a large extent framed within the seismic aftermath of the 2008 financial crisis that drove the government agenda, but Iceland's defence policy and its implementation were not the only foreign policy issue that created difficulty for the Social Democratic/Left Green Movement coalition. Less than a year away from parliamentary election in 2013 the relationship between the two parties had become strained. The Left Green Movement experienced mutiny among some of its members in Parliament as dissenters argued that the party leadership had sold out its principled opposition to Icelandic EU membership by supporting accession talks with the union (Torfason, 2016, pp. 171-179). Meanwhile, the Social Democratic Alliance was not

without its own dissenters who argued that in pacifying its Left Green Movement coalition partner its leadership had moved to far to the left and away from its social democratic roots. As a result, the indecision and paralysis that characterised the permanent location of defence tasks within a permanent administrative framework was perfectly understandable. The decision to close the Defence Agency had been politically driven fuelled by the Left Green Movement ideological opposition to Iceland's defence policy. But although the Social Democratic Alliance was willing to acquiesce to Left Green Movement demands to alter the administrative form of Iceland's defence tasks the Social Democratic Alliance remained firm in its decision to retain their substance.

One of the stated purposes of the closure of the Defence Agency and the relocation of its tasks had been to reduce costs and in December 2010 Skarphéðinsson had declared in Parliament that the intended closure would save the government 500 million ISK (Parliament, 2010d). A substantial amount given that the Defence Agency had been allocated 1.2 billion ISK in the 2009 government budget (Parliament, 2008g, p. 58).

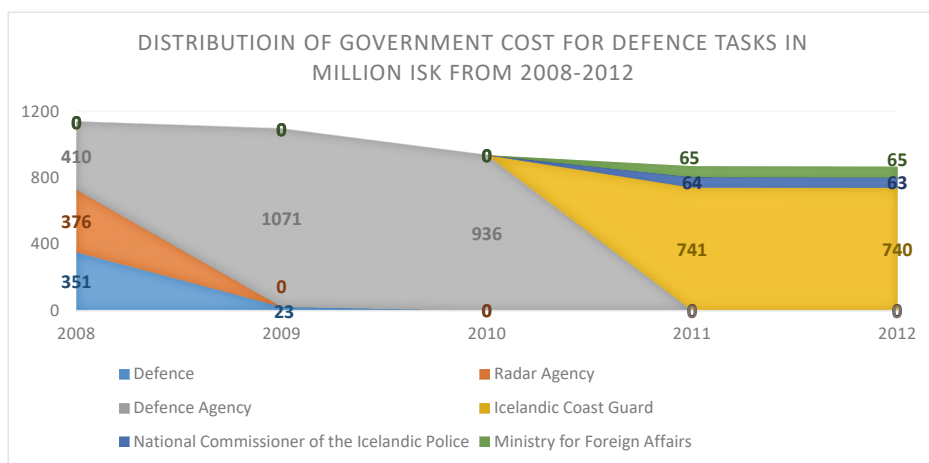


Figure 2 Distribution of government cost for defence tasks in million ISK 2008-2013 (Icelandic Audit Office, 2013, p. 13).

Figure 2 illustrates the distribution of government costs for defence related tasks between 2008 and 2012. The graph does not depict total amount accredited in the government budgets for the year 2009 and onward but total expenditures. This is because according to article 16 of the 2008 Defence Act the Defence Agency was authorised to lease out NATO infrastructure and equipment to offset maintenance costs provided that all security requirements were met (Parliament, 2008c). This

arrangement was continued by the Coast Guard (Commander Keflavík Air Base, 2013). Therefore, revenue must be offset against expenditure to gauge the real costs incurred. Given this factor, Skarphéðinsson may have been a bit too sanguine in stating the savings made. Government costs (expenditures minus revenues) fell from 1,094 million ISK in 2009 to 936 million ISK in 2010, a saving of 158 million ISK. After the Defence Agency had been broken up total costs fell further in 2011 to 870 million ISK and 868 million ISK in 2012. Thus, in nominal value, the government was able to save 8% of the total incurred costs by its decision to close down the agency (Icelandic Audit Office, 2013, p. 14); by adjusting to inflation between 2010 and 2012, the savings rise to 15.7%.

Despite savings made, there was still unfinished business to attend to. The December 2010 agreement between the Ministry for Foreign Affairs and the Ministry of the Interior was only supposed to be valid until 15 March 2011 by which time the two ministries should have worked out a final arrangement (Icelandic Audit Office, 2013, p.25). However, the supposedly interim division of political and functional responsibility between the Ministry for Foreign Affairs and the Ministry of the Interior became set in place and was not resolved for the following three years the government remained in office.

A 2012 government rearrangement of the Icelandic ministries reaffirmed the responsibility of the Ministry for Foreign Affairs for:

Defence, membership of the North Atlantic Treaty Organization (NATO), the defence agreement between Iceland and the United States, communication and cooperation with foreign countries, military authorities and international organizations in the field of security and defence, defence areas, the safety area within Keflavík airport and other safety areas, including management of facilities and property of NATO in Iceland, including the Icelandic radar and air defence system (IADS) (Parliament, 2012).

Instead of relieving the supremacy of the Ministry for Foreign Affairs in matters of defence it had instead been entrenched. So where did this leave the people and tasks situated within agencies that answered to the Ministry of the Interior but by law were the responsibility of the Ministry for Foreign Affairs?

The administrative limbo affected the National Commissioner of Police and the Coast Guard differently. For the National Commissioner of Police, the uncertainty did not impair its ability to carry out the role of National Security Authority. Performing background checks and issuing NATO security clearances was a well understood task by its staff, although, the role included added responsibilities compared to the pre-2006 era. Certain key buildings within the Security Area, the CRC and the ISSF, fell under NATO security classification and consequently the National Commissioner of Police was required to certify that the Coast Guard was complying with correct standards and procedures in handling classified NATO

information and equipment (Senior official National Commissioner of Police, 2014). While the National Commissioner of Police had become the national quality controller for correct handling of classified information, the NATO Office of Security maintained external quality control during regular visits carried out during on-site inspections and by reviewing the National Security Authority competences of the National Commissioner of Police. In October 2012 the government adopted NATO security standard C-M(2002)49 into Icelandic legislation (Government Gazette, 2012) making the National Security role transparent and framed within an Icelandic legal framework.

For the Coast Guard, the added value in incorporating IADS was that the Coast Guard was able to connect to NATO's Allied Maritime Command in Northwood in the U.K. thereby gaining access to information about traffic on the seas not visible in other systems, i.e. allied submarines and warships, as well as non-allied naval vessels detected through NATO surveillance (Commander Keflavík Air Base, 2013). Equally, the Coast Guard was able to report the movements of its own ships and aircraft into NATO systems. With real-time situational awareness in the seas around Iceland the Coast Guard was in the position to request assistance from nearby allied vessels in case of civilian accidents occurring at sea.

However, the tasks embedded within the Coast Guard were meeting complicated administrative entanglements. As the deadlock continued between the Ministry for Foreign Affairs and the Ministry of the Interior responsibility for NATO tasks remained fragmented. A situation that had been anticipated but only expected to last for a brief interim period. As a result, those responsible for implementing defence tasks within the Coast Guard were left serving two different ministries:

We are in a sense like a contractor [...] The Defence Department [within the Ministry for Foreign Affairs] is the Chief of Defence, head of defence in Iceland. The Defence Department runs the Icelandic Permanent representation at NATO and our representation in SHAPE. This year [2013] we [Government of Iceland] began to man the NATO Infrastructure Programme [...] and we have been sending in applications worth millions of dollars [for upgrading facilities and IADS] and someone needs to lobby for them and follow them through. If the Ministry of Interior wishes to take over the entire package then they must be prepared to man the permanent representation in Brussels as well as represent us in SHAPE (Commander Keflavík Air Base, 2013).

This tangled situation was also echoed by those within the Ministry for Foreign Affairs:

We [Ministry for Foreign Affairs] are responsible and the Coast Guard is executing in our name, but we don't have any money. The funding which should have been here [in the Ministry for Foreign Affairs] was scattered, but work is underway to try to get it

back. That means we will have much better control on things, but we are never secure that the funding intended for defence and air policing is used for that purpose while it is not in our hands. [...] This has to be looked after, but we never go through the Ministry of Interior, we simply contact the Coast Guard directly. We are in direct contact with the director [Icelandic Coast Guard] and those on operational levels performing the tasks. [...] In effect, we come in as a second ministry for the Icelandic Coast Guard. A very peculiar arrangement, but it works as long as the relationship with the Ministry of Interior is amicable (Senior official, Ministry for foreign Affairs, 2013).

Of course, this stalemate was not what the working group had in mind when it recommended integrating defence tasks of the Defence Agency with the Coast Guard and the National Commissioner of Police.

This obtuse legal environment caught the attention of the Icelandic Audit Office. In May 2013 it published a report questioning why the formal transfer of defence tasks had not been completed. According to the report, the closure of the Defence Agency and relocation of its tasks to the Coast Guard and the National Commissioner of Police had contributed to greater efficiency and savings, which after all was the stated goal. However, the uncertainty prevented the Coast Guard from long term planning with regard to maintenance of equipment and facilities (Icelandic Audit Office, 2013, p 4) and the two ministries still disagreed about what ministry should have primacy in matters of defence. The entanglement was further compounded by the fact that funding from the government budget for defence tasks were allocated directly to the Icelandic Coast Guard and National Commissioner of Police leaving supervision and control with the Ministry for Foreign Affairs, creating “unclear responsibilities and authority that prevented efficient and effective implementation and systematic monitoring of the tasks at hand” (Icelandic Audit Office, 2013, p. 24).

The two ministries gave conflicting assessments to the National Audit Office about the root cause of the problem. The Ministry for Foreign Affairs claimed that by law they remained responsible for matters of defence; meanwhile, the Ministry of Interior argued that the basis for administrative transfer of defence related tasks had been the 2010 agreement between the two ministries. That transfer had not been completed which explained the lack of clear division of responsibility and administrative control (Icelandic Audit Office, 2013, pp. 19, 23). Clearly, the two ministries were marooned within the transition phase and unable to complete the transfer of defence tasks to the Ministry of Interior or revert back to an administrative arrangement whereby the Ministry for Foreign Affairs would resume sole responsibility for their implementation. The ensuing result was counterproductive in the sense that it prevented proper oversight as well as budgetary control by either of the two ministries.

6.4. Conclusion

From a Neorealist point of view, the main priority of the Icelandic government following the closure of Keflavík base was to ensure successful transfer of base facilities and the continuation of its defence function within an Icelandic administrative framework. The purpose to bolster domestic defence capabilities while at the same time deepening defence cooperation with Iceland's regional partners through framework agreements with Denmark, the U.K., Canada and Norway which provided training and support to the operators of IADS as early as the summer of 2006. Iceland's increased defence cooperation with its neighbours in the North Atlantic was a reaction to the closure of the base but did of course not replace the defence guarantee inherent in the 1951 Defence Agreement.

The piecemeal steps taken by the government of Iceland during the hand over process were at first aimed at ensuring the continued function of Keflavík airport and then gradually assuming full responsibility for all NATO infrastructure in Iceland, including IADS and the responsibility to safeguard those facilities and defence functions. The next logical step was to gather those tasks within a legal framework and a government agency to ensure their legal mandate and an established chain of command. After the Defence Agency had been set up and experience gained in receiving NATO forces in Iceland through NATO Air Policing missions it became apparent that domestic defence capabilities would be increased even further by fusing the functions of the Defence Agency and the Coast Guard by abolishing the Defence Agency and moving most of its tasks to the Coast Guard.

The Institutional perspective will lead us down an equally rationalist path of thinking. Following the closure of Keflavík base successful integration of defence functions in Iceland with the wider NATO defence institutional structure became a necessity. Responsibility for NATO Infrastructure and NATO's eyes in the North Atlantic (IADS) had to be taken over by the Icelandic government and the system integrated into the European side of NATO military institutional structure since the system was no longer connected with NORAD. All these steps were essential before actual arrangements could be made to set up regular NATO Air Policing missions in Iceland provided by individual NATO members through NATO institutional frameworks.

Equally, as support of individual NATO members such as Norway was important in the early hours of integration so was the support of NATO agencies in Brussels that provided guidance and help to the former employees of the Radar Agency in their assumption of IADS. As the integration process was completed the government of Iceland began to participate in the work of NSIP to be able to apply for funding for defence infrastructure projects and appointed a representative to SHAPE.

However, to explain the pulleys and levers of decision making in matters of defence during the period of 2006-2013 it is necessary to go beyond the state centric schools of Neorealism and Institutionalism.

The Political Economic approach views state preferences as being moulded by various actors in society, be they individuals, groups, institutions or ideas. After the closure of Keflavík base implementation of defence tasks become an internal domestic issue whereby the Ministry for Foreign Affairs and the Ministry of Justice and Ecclesiastical Affairs – and their political masters – competed for dominance over the portfolio of defence. Different ministries, headed by either of the ruling party, came up with substitutes to make up for the vacuum left by the closure of Keflavík base, i.e. expand the activities of the Coast Guard; build bilateral security frameworks with neighbouring countries and incorporate the defence tasks into an Icelandic administrative structure.

The decision in 2010 to shut down the Defence Agency and transfer its defence tasks to the Coast Guard and the National Commissioner of Police was the final episode in a domestic interagency rivalry ongoing since the establishment of the Defence Agency. The Defence Agency controlled IADS and was connected to NATO information systems that would benefit the Coast Guard if integrated into its daily work. Additionally, the Defence Agency had caused problems for the Coast Guard to interact with its traditional partners in the North Atlantic, the Danish Navy and Norwegian Coast Guard, by insisting on being the point of contact for all foreign military authorities. Shutting down the Defence Agency and transfer most of its tasks to the Coast Guard would restore its usual channels of communication and grant it control of IADS.

Similar arguments can be made regarding the decision to transfer the National Security Authority role to the National Commissioner of Police. For decades, the Icelandic police had carried out vetting and granting of security clearances for Icelandic nationals, and maintained security for the radar stations outside of Keflavík base. Even after the closure of Keflavík base and the establishment of the Defence Agency, the role of National Security Authority remained partially with the National Commissioner of Police, as security vetting of individuals continued to remain in its hands. Consequently, it made sense for the Ministry of Interior to also solidify the National Security Authority within the National Commissioner of Police.

The Social Constructivist reading gives a different account to the decision-making process following the closure of Keflavík base. The Independence Party had throughout the post-war and Cold War period been a staunch supporter of NATO membership and close defence relationship with the United States. The same applied to the core of the Social Democratic Alliance which before the creation of the party in 1999 had been members of the Social Democratic Party. However, the financial crash of 2008 and the following shake up in politics saw the more radical elements

of the Social Democratic Alliance seize power within the party and form a coalition government with the Left Green Movement who as an ideological successor to the People's Alliance was adamantly opposed to Icelandic defence cooperation with the U.S. and membership of NATO.

Left Green hostility to the Defence Agency was a well-established fact and by abolishing the agency they were working towards decoupling Iceland from joint NATO defence mechanisms and even going so far as to suggest shutting down the IADS system partially or fully which would have lost NATO surveillance capabilities in the North Atlantic and sent shock waves through the alliance. The move was thwarted by the Social Democratic Alliance minister for Foreign Affairs but the stalemate that followed left the functional implementation of defence tasks within the Left Green controlled Ministry of the Interior while the responsibility for those tasks remained with the Social Democratic Alliance controlled Ministry for Foreign Affairs.

7. Conclusions

The purpose of this dissertation is to answer three research questions through the method of process tracing and the theoretical lenses of Neorealism and Institutionalism. These questions are:

1. What benefits and international leverage did Iceland gain through its defence relationship with the U.S. historically?
2. What goals did U.S. and Icelandic policymakers have in the 2005/2006 base negotiations and why was Keflavík base closed down?
3. How did Icelandic decision makers adapt to the closure of the base in the years that followed until national elections in spring 2013?

Before providing answers to each question it is necessary to outline the main points raised by Neorealism and Institutionalism in chapter 1 about the nature of the international system and the role of alliances.

Neorealists argue that the international system consists of states and while states vary in capabilities their fundamental concern is their own survival within an anarchical international system. The best bet for a small state to ensure its own survival is to build up its own defence capabilities, form an alliance with other states against a larger power or to bandwagon with a larger state. However, it is not power as such that states balance against but a particular threat, which is determined by a number of factors such as intentions of another state, capabilities and territorial proximity.

Neorealists acknowledge the existence of alliances but maintain that institutions are established and thrive because of the willingness of a hegemonic state within the system to maintain stability and foster cooperation. If a hegemon is replaced by another state then the survival of institutions depends on the willingness of the new hegemon to maintain stability. The nature of alliances such as NATO where one large member dwarfs the other should more aptly be described as security guarantees as the power contribution of other members is so small that it does not in any way affect the overall power balance in the international system.

However, the picture is more nuanced than that since alliances, in particular between a large and small state, can take on an asymmetrical form whereby the larger state provides a security guarantee to the smaller state in exchange for political support or benefits such as military bases. This bartering of security for autonomy is likely to produce an alliance that will survive after the particular threat that the

alliance was formed against has receded. More so if the alliance makes provisions for cooperation in other areas than defence as that increases the cost of abrogation. However, the fundamental question whether a particular alliance will survive or not depends on the level of external threat the states are facing, the military capabilities of its members, shared policy goals among the allies and the availability of substitute allies. How much autonomy in exchange for security small states are willing to surrender is debateable but if that process goes too far a particular state risks subordinating itself to the larger state, that is to say severely restrict its autonomy in exchange for security.

Institutionalists build on Neorealism but argue that international institutions and the cooperation that takes place within them cannot be discarded as the extension of the will of a particular hegemon. Institutionalism focuses on how states benefit by fostering trust by cooperating through institutions while the state is viewed as the primary unit of an anarchical international system. Through institutions members will expect certain benefits such as lower transaction costs, mechanisms to pool resources together and a pattern of expected behaviour by its members which in turn reduces uncertainty about state actions. Therefore, the motivation to create a security institution is not only to provide members with a more effective balancing against any possible aggressor, but has also the added benefit of building trust among the members themselves.

Whether members are willing to invest in a security institution or not depends on durability and issue density as members are more willing to pay for an institution that is intended to deal with a long-term security problem and addresses several security issues within a given policy area. Within institutions a culture of norms and procedures develops of collective rules, behaviour and the sharing of different tasks within the alliance. Members that do not comply with certain norms will be deemed by the other members as a defector from agreed behaviour.

An institutional account as to why NATO survived the Cold War differs fundamentally from the Neorealist perspective. Institutionalists would argue that continued usage of NATO procedures and mechanisms to deal with new security issues was less expensive than starting from scratch. Therefore, its members will continue to rely on its institutional functions to address security and defence challenges as long as the alliance is able to do so at a lower cost than any alternative arrangements.

Question 1: What benefits and international leverage did Iceland gain through its defence relationship with the U.S. historically?

Militarily weak and on the outskirts of Europe, Iceland began to emerge as an independent nation in the early 20th century. The course had already been set with the Union Act in 1918 towards full independence from Denmark but the 1941 Defence Agreement with the U.S. ensured that Iceland emerged from the war with a

prosperous economy and fully recognised by the allies as a sovereign state.

From a Neorealist perspective, eager to safeguard their newfound independence after the Second World War, Icelandic decision makers followed closely discussions among their fellow Nordics in 1948 of the creation of a Nordic defence alliance. As the discussions broke down Iceland sided with Norway and Denmark and entered a defence agreement with the U.S. to balance against any possible Soviet aggression. Because of Iceland's unique status as a state with no armed forces of its own Iceland and the U.S. signed a defence agreement in 1951 whereby the U.S. assumed responsibility for the defence of Iceland on behalf of NATO, free of cost to Iceland. Thus, from a Neorealist perspective the defence relationship took on a clear asymmetrical form, the U.S. provided Iceland with a security guarantee in return for benefits i.e. a military base in Iceland.

True to the tenant of Neorealism the defence relationship with the U.S. proved effective in countering threats, albeit in a different form than originally envisioned. During the mid-1950s and the early 1970s Icelandic decision makers threatened to shut down Keflavik base in order to exert pressure on the British government to give way in their fisheries dispute with Iceland. The Cod Wars were framed by the British government as primarily an international legal dispute while Icelandic decision makers took the position that it was an existential political struggle.

The overarching threat remained the Soviet Union but Iceland had a rather unusual relationship with the Eastern block and established trade relations with the Soviet Union in the early 1950s that continued until its collapse in 1990. With the disappearance of the Soviet Union and the emergence of its successor states the rationale for the U.S. defence relationship was gone but both sides continued to maintain the 1951 Defence Agreement while the U.S. scaled down its military presence at Keflavik base throughout the 1990s.

Shining the Institutional light on the defence relationship between Iceland and the U.S. it is clear that although situated within the institutional framework of NATO the alliance was secondary to the bilateral defence relationship. During exploratory talks before accession in March 1949 it was clear that for Icelandic decision makers the ideal arrangement had been U.S. and British security guarantees but it was clear from the U.S. side that any such guarantees separate from NATO membership were not on the table. Therefore, joining NATO was a necessary precondition for a defence relationship with the United States. As a NATO member it can be argued that Iceland held a privileged status. Without armed forces, Iceland was not expected to contribute soldiers or equipment to the alliance collective defences and did not take a seat in the NATO Military Committee until the early 1980s and exempt from making financial contributions to NSIP, although benefitting handsomely from its funding towards defence infrastructure in Iceland throughout the years.

Icelandic decision makers were equally adept at using Iceland's membership of NATO to achieve victory in Cod Wars of the 1950s and the 1970s. arguing its

case within the NAC in conjunction to threaten to close down Keflavík base. A diplomatic victory that was achieved through the institutional forum of NATO.

From 1949 until the late 1980s, the U.S.-Icelandic defence relationship and NATO membership served Iceland well, both on Neorealism and Institutionalism terms. However, the ability of Iceland to manoeuvre was dictated by the nature of the bipolar international system and Iceland's geographical position as the linchpin in NATO's defence of its Northern Flank. With the collapse of the Soviet Union and emergence of the unipolar international system, with the United States as the only remaining superpower, Iceland's fortunes quickly changed. In the mid-1990s and early 2000s, Iceland's strategic importance had been reduced to irrelevance in the minds of military thinkers in the United States and NATO. The days of utilising the U.S.-Icelandic defence relationship and NATO to attain foreign policy goals had clearly passed and it became increasingly difficult for Iceland to maintain the status quo.

Question 2: What goals did U.S. and Icelandic policymakers have in the 2005/2006 base negotiations and why was Keflavík base closed down?

With the end of the Cold War the strategic importance of Iceland dwindled fast. As theorists of Neorealism would predict the defence bond between Iceland and the U.S. began to fray as the defence interests of the two states began to diverge. Throughout the 1990s the government of Iceland was able to control the process of downsizing at Keflavík base by negotiating two consecutive MoU's with the U.S. government but the shock that followed the September 2001 terrorist attacks called for reorientation of U.S. defence policy as international terrorism became the main source of external threat.

For Icelandic decision makers their policy towards the base remained the same throughout the 1990s and until its closure in 2006. The government of Iceland was willing to make some concessions and entertained ideas of sharing costs associated with running Keflavík airport while demands from the U.S. side for Icelandic takeover of non-military base function were rejected.

Therefore, from a Neorealist perspective, when the two sides met in 2005 to negotiate for further burden sharing of Keflavík base they were talking to each other from very different positions. For the U.S. the external threat had shifted and with-it new policy goals had materialized, with little role for Iceland, that called for U.S. military resources to be directed towards Iraq and Afghanistan. While the government of Iceland was unwilling through most of the negotiation process to discuss burden sharing in any meaningful way and wished to focus instead on cost reduction. The negotiations revealed a number of weaknesses on the Icelandic side. First of all the lack of an overarching strategic view based on an assessment of the Icelandic security environment and how continued U.S. military presence in Iceland factored into that view, and secondly a believe that the United States would not

decide unilaterally to close the base and thirdly, a long history of threatening the United States with abrogating the defence agreement and shutting down the base for political leverage gave the Icelandic decision makers a misplaced sense of negotiating from strength – when clearly, they were not.

Eventually, U.S. Secretary of Defense Donald Rumsfeld eliminated all funding to Keflavík base independent of ongoing negotiation manoeuvres being carried out by the Department of State. Rumsfeld's initiative undercut any Icelandic policy readjustment. From a Neorealist perspective, the Icelandic decision makers had failed to take stock of the changed security environment and form a defence policy that factored in a clear role for continued U.S. military presence in Iceland.

From an Institutional perspective the 2005/2006 defence negotiations were fundamentally a bilateral affair between Iceland and the United States. Strictly speaking, Keflavík base was a NATO base since U.S. defences were provided on behalf of NATO and considerable investment had flowed throughout the years from common NATO funding to the base and defence facilities in Iceland, but the negotiations were not brought up in the North Atlantic Council nor did either side wish to involve the alliance in any formal way. Neither did the U.S. or Iceland bring up the importance of Keflavík base for the defence of NATO or other NATO members during the negotiation process. However, reminiscent of the interventions of NATO Secretary General Joseph Luns during the Cod Wars of the 1970s, Foreign Minister Halldór Ásgrímsson sought informal help from NATO Secretary General George Robertson in the spring of 2003 to persuade President Bush to postpone the removal of the four remaining F-15 fighter jets from Keflavík base.

Moving beyond the state centric approaches of Neorealism and Institutionalism the alternative perspective of Political Economy and Social Constructivism offer up different explanations to the negotiation goals and motives of the Icelandic decision makers.

From a Political Economic point of view the line between domestic politics and foreign policy goals is blurry as domestic politics shape foreign policy goals. On that view there were considerable domestic political reasons to maintain Keflavík base, irrespective of the wider regional or global security environment. The international airport in Keflavík was an outgrowth of Keflavík base and funded and maintained by the U.S. military free of charge to the Icelandic authorities. All defence facilities in Iceland were the responsibility of the U.S. and funded either directly by the U.S. or through common NATO funding and the defence force maintained a rescue helicopter squadron that also flew civilian rescue missions in Iceland at the request of the Icelandic Coast Guard.

In addition, the defence force had been an important contributor to the Icelandic economy since the early 1950s and employed a large number of people in Iceland in the early 2000s. The closure of the base would be felt through the economy, both in terms of higher unemployment numbers in the Reykjanes region and lower

revenue among local businesses servicing the defence force. Higher unemployment in rural Reykjanes coupled with economic hardship for local businesses could easily translate into drop in popularity for the business-oriented Independence Party and the agrarian Progressive Party.

Therefore, there was a lot at stake for the leadership of the Independence Party/ Progressive Party coalition to ensure as much of the status quo as possible and follow the same policy of focusing on cost-reduction at the base without jeopardizing continued stationing of the F-15's and avoid as much as possible any burden-sharing commitments at Keflavík base.

Looking at the defence negotiations through the lens of Social Constructivism brings attention to the identity of the main decision makers i.e. the sets of meaning an actor has about himself and his understanding and expectations about the social world. From 1991 until 2004 the government of Iceland was led by Prime Minister Davíð Oddsson. At first, in an Independence Party/Social Democratic Party coalition. Following the 1995 elections the Social Democratic Party was swapped with the Progressive Party and Halldór Ásgrímsson took up the position of Minister for Foreign Affairs while Oddsson continued in his role as Prime Minister. The two would swap seats in the autumn of 2004 until the autumn of 2005 when Oddsson left politics. Following poor municipal election results for the Progressive Party in June 2006 Ásgrímsson followed suit and retired from politics in August that same year.

During his 14-year tenure in government, both as Prime Minister and Minister for Foreign Minister, Oddsson drove a consistent policy of no burden sharing at the base focusing instead on cost reduction whereby the U.S. government would have some scope to reduce its presence at Keflavík base while being dependant on Icelandic approval as evidenced in the MoU's of 1994 and 1996. It was only in 2004, after beating off an attempt by the Pentagon a year earlier to remove the fighters, that Oddsson was willing to discuss possible burden sharing and then only in the context of the civilian functions of Keflavík airport.

While unwilling to open up discussions on base burden sharing Oddsson repeatedly threatened, both publicly and privately, that his government would terminate the 1951 Defence Agreement if the four remaining fighter jets would be removed from the base. Oddsson stayed true to his position and there was no reversal of policy until Oddsson left politics to be replaced with Geir Hilmar Haarde.

But why this brinkmanship? How to explain this unshaken belief that the most effective course of action would be to threaten to terminate the defence agreement to prevent further reduction of U.S. military presence at the base. Social Constructivism implores us to look at the meaning, understanding and expectations about the defence relationship held by key Icelandic decision makers. Oddsson (born in 1948) and Ásgrímsson (born 1947) belonged both to the post-independence generation and grew up in the 1950s and the 1960s and reached early adulthood during the

Cod Wars of the 1970s. Both were educated in Iceland apart for two years (1971-1973) that Ásgrímsson spent in Bergen and Copenhagen pursuing advanced studies in accounting.

For Oddsson and Ásgrímsson threatening to terminate the defence agreement, and deprive the U.S. the use of Icelandic territory, was a tried and tested method to achieve foreign policy goals, whether to extort financial assistance from the U.S. in the 1950s or put pressure on the British government to give way during the Cod Wars. But underpinning that logic was a belief that U.S. decision makers would not view the threat as a bluff, or that losing access to Iceland mattered at all in U.S. strategic calculations.

After Oddsson left the scene and was replaced by Haarde a breakthrough was made. Haarde offered full Icelandic assumption of Keflavík airport and to provide Search and Rescue capabilities to the defence force. Demands that had been completely unacceptable to Oddsson. It was during his February 2006 meeting with Secretary of State Rice that Haarde raised the discussions from the traditional squabbles of burden sharing and framed them within the correct strategic context i.e. what added value does U.S. military presence in Iceland have for Icelandic security and defence interests. This different approach should not be so surprising. After all, Haarde (born in 1951) had a fundamentally different background than Oddsson and Ásgrímsson. Born to an Icelandic mother and a Norwegian father Haarde was educated in economics and international relations at prestigious universities in the U.S. during most of the 1970s (1971-1977) before returning back to Iceland. As a graduate of Brandeis University and John Hopkins University Haarde was socialized to Atlanticism to a higher degree than Oddsson and Ásgrímsson and sharing the same educational background as the pool of U.S. career foreign service members and U.S. policy makers. Although Rice and her officials seemed receptive to continue negotiations along the lines proposed by Haarde it was simply too late. Secretary of Defence Rumsfeld who was rumoured by Icelandic decision makers to have the impression of Icelanders as being greedy and inflexible after serving as the U.S. ambassador to NATO 1973-1974 had already decided to kill all funding to Keflavík base.

Question 3: How did Icelandic decision makers adapt to the closure of the base in the years that followed until national elections in spring 2013?

With Rumsfeld's unilateral decision to shut down the base Icelandic decision makers were confronted with a juncture point. From a Neorealist point of view assuming responsibility for those tasks was fundamental to Icelandic defences. By outsourcing the responsibility for its defences to the U.S. Iceland had gone far in exchanging autonomy for security guarantees. The U.S. had constructed and maintained defence infrastructure in Iceland and provided military forces to defend the island if that would ever be needed. The only Icelandic involvement in the day to

day business of the defence force had been IADS maintenance work carried out by the Icelandic quasi-governmental Radar Agency. An agency set up in the mid-1980s to increase Icelandic involvement in its own defence but funded and regulated by the U.S. Air Force.

Taking over responsibility for IADS, Host and User Nation for NATO facilities in Iceland and all responsibilities associated with National Security Authority in Iceland was for the Icelandic government an increase of autonomy over its own defences while forming the backbone for the continuation of the defence relationship with the U.S., after all, the use of Keflavík airport and relevant defence infrastructure continued to be Iceland's contribution to collective defence and open to other NATO members.

The main pillar of Iceland's defence policy had been shaken but instead of terminating the defence agreement both the U.S. and Icelandic government agreed to reinterpret it in such a way that physical presence of U.S. military forces was no longer required, and that the United States would continue to provide Iceland with defences with moveable forces outside of Iceland. With a reconstituted first pillar, Iceland successfully continued to bandwagon with the United States, in line with Neorealist school of thought.

From a Neorealist perspective collecting defence related tasks left by the defence force within a clearly regulated government agency was a move to bolster domestic defence capabilities while at the same time deepening defence cooperation with other NATO members bordering the North Atlantic, Denmark, Norway the U.K. and Canada. The decision at a later stage to merge most tasks of the Defence Agency with the Coast Guard was a continuation of the same policy of strengthening domestic defence capabilities by transferring control over IADS and NATO communication links over to the Coast Guard.

From an Institutional perspective it became critical for Icelandic decision makers to integrate NATO defence infrastructure in Iceland with the wider NATO defence organizational structure, in particular IADS as it served as NATO's eyes in the North Atlantic and a precondition for receiving future NATO Air Policing missions in Iceland. The system was reconnected with the European part of NATO defence structure as its connectivity with NORAD was severed when the defence force departed.

The departure of the defence force from Iceland had clearly made the second pillar of Iceland's defence policy ever more important. From an Institutional point of view the function of defence infrastructure in Iceland remained important for other NATO members. In particular IADS as it fed information about military air traffic in the North Atlantic to other NATO control centres. Picking up where the U.S. left off and continue to maintain defence facilities in Iceland and relay information from IADS would be expected by other alliance members, choosing not to do so would have deemed Iceland a defector from agreed behaviour by other alliance members.

After the initial shock that followed the closure of the base the defence tasks assumed by Iceland were formalised. NATO became a forum for deepened security cooperation in the North Atlantic as Iceland negotiated for closer defence cooperation with its North Atlantic NATO neighbours. Additionally, NATO became the forum for Iceland to secure for itself visible air defences through regular NATO Air Policing missions, a need driven by renewed Russian bomber flights into the North Atlantic immediately following the closure of Keflavík base. To solidify Iceland's integration into the second pillar Iceland set up a domestic defence structure, the Icelandic Defence Agency, to handle those tasks previously within the first pillar and carried out by the U.S. defence force at Keflavík base.

However, with the financial crash of 2008 another juncture point opened up and the government was forced to rethink its strategy and the state centric theories of Neorealism and Institutionalism are insufficient to provide an adequate analysis of the decision-making process regarding the future institutional arrangement of defence tasks in Iceland. To do that we have to resort to our alternative theories of explanation: Political Economic thought and Social Constructivism.

From a Political Economic approach, the permanent placement of defence related tasks was characterised by a continuous tug of war between different groups in position to shape state preferences. At first between the Independence Party controlled Ministry of Justice and Ecclesiastical Affairs and later between the Social Democratic Alliance controlled Ministry for Foreign Affairs and the Left Green controlled Ministry of the Interior.

With the 2008 financial crash the dimension of cost saving and the necessity to balance the government budget became an issue of consideration but the decision-making process continued to be framed as predominantly a power struggle between two different ministries headed by different political masters. While the Independence Party and Social Democratic Alliance were able to come to an understanding about a division of labour between the Ministry for Foreign Affairs and the Ministry of Justice and Ecclesiastical Affairs the following Social Democratic Alliance/Left Green Movement coalition did not.

From a Political Economic perspective there were advantages to move some defence related tasks and integrate them with the Ministry of the Interior controlled Coast Guard. Narrowly avoiding a national default, the government had to reevaluate Iceland's defence structure with the explicit goal of getting the same added value but with less costs. NATO Air Policing missions were maintained while the defence tasks of the Defence Agency were integrated into the Coast Guard and the National Commissioner of Police.

Not only could the two pre-existing government structures carry out the tasks of the Defence Agency successfully, but by doing so that the efficiency of their own core tasks would be strengthened. For the Coast Guard that meant increased surveillance in the seas around Iceland, and for the National Commissioner of Police that change

translated into improved intelligence gathering. Working with what little resources it had, Iceland was forced to alter its domestic security structure. However, in doing so it made sure that its institutional arrangements with NATO remained intact, therefore, despite financial constraints and domestic politics Iceland could not be accused of defecting from its responsibilities as a NATO member while fulfilling Icelandic defence requirements.

However, the decision to close the Defence Agency and disperse its tasks within different agencies was first and foremost politically driven as it was a key precondition set by the Left Green Movement for a coalition government with the Social Democratic Alliance. Therefore, a Social Constructivist analysis is needed to fully understand the decision behind shutting down the Defence Agency and merge its functions with the Coast Guard.

As the ideological successor to the People's Alliance the Left Green Movement was adamantly opposed to the U.S. defence relationship and Iceland's membership in NATO. The left Greens saw the assumption by the Icelandic government of defence tasks left over by the defence force and the creation of the Defence Agency as entrenching Iceland into NATO military structures in which it had never participated before. To the Left Greens this was anathema and the abolition of the Defence Agency with the explicit aim of killing those tasks, IADS etc. became the price that the Social Democratic Alliance would have to pay in order to set up a Social Democratic Alliance/Left Green coalition government.

Willing to go along with the Left Greens it quickly materialized that the leadership of the Social Democratic Alliance had no intention of seeing those defence tasks abolished. Foreign Minister Össur Skarphéðinsson was happy to do away with the organizational structure set up by his predecessor, Ingibjörg Sólrún Gísladóttir, but shutting them down altogether was not acceptable as that meant abandoning Iceland's obligation to other alliance members.

The ensuing stalemate and legalistic limbo whereby the implementation of defence tasks remained with the Coast Guard and subservient to the Left Green controlled Ministry for the Interior while legal responsibility remained with the Social Democratic Alliance controlled Ministry for Foreign Affairs was a manifestation of the distrust between Minister of the Interior Jónasson who wished to end those functions altogether and Foreign Minister Skarphéðinsson who had no intention to see them go.

This dissertation has been a study into the defence relationship between Iceland and the United States, the 2005/2006 defence negotiation process and the adaptation of defence tasks in Iceland by the government of Iceland that prior to 2006 had been the responsibility of the U.S. defence force at Keflavík base. Through this study the empirical knowledge has been expanded about the nature of the defence relationship between Iceland and the U.S., the defence tasks carried out at Keflavík base prior to

2006 and the first seven years after Keflavík base closed down. This study has also increased empirical knowledge about the 2005/2006 defence negotiations and why they resulted in the closure of Keflavík base.

In a wider theoretical sense, as a study into the defence relationship of one of the smallest states in the international system and its largest power, the state centric perspectives of Neorealism and Institutionalism, given the NATO dimension, seemed the most appropriate theoretical approach. However, as the preceding discussion has shown those state centric theories are severely limited in explaining the causal relationship in decision making extending from the 2005/2006 defence negotiations and onwards to the closure of the Defence Agency and transfer of defence tasks to the Coast Guard. To fully understand the chain of events it is necessary to compliment the Neorealist and Institutional approaches with alternative theories that go beyond the state approach in assessing state preferences.

Yet again the security environment has shifted following the 2014 Russian annexation of Crimea. Russia is again viewed as an adversary by the U.S. and other NATO members and the strategic importance of Iceland is yet again rising as the only land barrier from free movement of Russian navy vessels of the Northern Fleet, submarines in particular, from their bases in Murmansk into the North Atlantic, placing them in position to threaten allied control over the Sea Lines of Communication, and underwater communication cables, in the North Atlantic between North America and Europe.

It is inevitable that Iceland will play an important role in any current or future NATO or U.S. military planning for the North Atlantic. However, the days of permanent stationing of U.S. military forces in Iceland is not on the horizon and any future permanent stationing of such forces must be preceded by a clearly defined role for such forces based on an Icelandic threat assessment and defence policy that enjoys broad political support among the major political parties in Parliament.

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